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Federal 21st Century Road to Housing Act

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Contents

The 21st Century ROAD to Housing Act (the Act), which officially became law on July 11, 2026, is the most **comprehensive overhaul** of America's affordable housing programs in decades, ushering in policy changes to existing affordable housing programs, establishing new temporary pilot programs and policies, and mandating new research and reporting to better inform housing policy in the future.

Included in the Act are:

- **Policy Reforms**
- **New Pilot Programs**
- **HOME program revisions**
- **Federal studies, reports and technical guidance**

Policy Reforms to HUD and USDA Programs

- **Reforms to Housing Counseling and Financial Literacy Programs (Section 101)**

This section allows the Department of Housing and Urban Development (HUD) to review the performance of housing counseling agencies and counselors. If a counselor’s performance falls short, HUD may require additional training and provide opportunities to demonstrate improvement. Counselors found to be consistently out of compliance may be subject to enhanced oversight or lose their certification.

Homeowners with mortgages insured by the Federal Housing Administration (FHA), USDA, or the U.S. Department of Veterans Affairs (VA) who are 30 or more days delinquent are to be offered foreclosure mitigation counseling. Counseling costs for those borrowers with FHA (Federal Housing Administration) loans will be covered by FHA’s Mutual Mortgage Insurance Fund (MMIF), as long as FHA determines that funding such counseling does not jeopardize the MMIF’s financial health.

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Database of Publicly Owned Land (Section 104)

Requires each **Community Development Block Grant** (CDBG) grantee to maintain a publicly accessible, searchable database identifying undeveloped land owned by the jurisdiction. It also allows grantees to use their CDBG funds to comply with database requirement. **Requirement goes into effect October 1, 2026.**

• Communities with populations over 50,000 automatically receive annual CDBG formula allocations directly from the U.S. Department of Housing and Urban Development (HUD).

• Includes Albuquerque, Farmington, Las Cruces, Rio Rancho, Santa Fe, and the State of New Mexico. The Department of Finance and Administration acts as the primary pass-through grantee to small cities and non-entitlement counties.

• **The goal** is to increase the supply of affordable housing by forcing local governments to catalog and expose undeveloped public land. By removing local gatekeeping, the law maps out unused property to help affordable housing developers, advocates, and planning agencies easily identify and acquire sites suitable for new construction.

Addition of Affordable Housing Construction as an Eligible Activity (Section 204)

- Adds new construction as an eligible use under HUD’s CDBG program. New construction may not exceed 20% of an individual grantee’s annual CDBG allocation.
- **The provision is applicable to funds appropriated after the bill’s enactment.**
- Historically, the CDBG program explicitly banned using funds for "new housing construction," restricting cities to housing rehabilitation, infrastructure, or land acquisition. **Section 204 removes this barrier to give local communities a direct tool to fix local housing shortages.**

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Increasing Housing in Opportunity Zones (Section 201)

- Enables HUD to give added weight for competitive HUD grants to applicants that are in, or primarily serve, designated Opportunity Zones to support housing preservation and construction for Notice of Funding Opportunities published after July 11, 2026.
- An Opportunity Zone is an economically distressed community where new private investments, under certain conditions, may be eligible for preferential tax treatment.
- The goal of Section 201 is to redirect federal housing capital directly into economically distressed communities by giving them a competitive edge for HUD grants.

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Community Investment & Prosperity Act (Section 203)

• Increases from 15% to 20% the **Public Welfare Investment (PWI) cap** applicable to banks supervised by the Office of the Comptroller of the Currency (OCC) and the Federal Reserve (the Fed), effective July 11, 2026.

• Investments in the Low-Income Housing Tax Credit (Housing Credit) are PWI investments; thus this change will allow banks to invest more than they could have prior to the act's passage.

The Low-Income Housing Tax Credit (LIHTC) is the nation's primary engine for creating affordable rental housing. Because banks are the primary buyers of these tax credits, raising the PWI cap directly expands their capacity to purchase LIHTCs.

- **The Problem It Solves**: Large banks frequently hit their 15% regulatory ceiling in fast-growing or high-cost markets. Once hit, they had to sit on the sidelines.
- **The Result**: Banks can now purchase more tax credits, providing immediate cash to developers to build or rehab low-income apartments.

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Expanded Categorical Exclusions for Small Projects (Section 208/206)

- The Act directs HUD to reclassify specific housing activities to be automatically exempt or categorically excluded from detailed NEPA (National Environmental Policy Act) review.
  - **Acquisition and Rehab:** Real property acquisition and rehabilitation for affordable housing.
  - **Administrative actions:** Tenant-based rental assistance and supportive housing services.
  - **Small-scale developments:** New construction projects consisting of **15 units or fewer**.
- The Goal: To classify small-scale development (>15 units), affordable rehabilitation projects, and minor property acquisitions as "categorically excluded," so they can bypass lengthy environmental assessment tracks.
- HUD must submit annual progress reports to the Senate Banking and House Financial Services Committees for five years, beginning two years after enactment (July 11, 2028).

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Policy Reforms to HOME Investment Partnership Program

➢ HOME Investment Partnerships Reauthorization and Reform Act (Section 501)

- This section **permanently reauthorizes and modernizes** HUD's flagship affordable housing block grant. Prior to this law, the HOME Investment Partnerships Program had operated without a formal, updated congressional reauthorization since 1994.

- Elimination of Duplication: It coordinates review requirements to ensure developers do not have to perform multiple, overlapping NEPA reviews if a project blends HOME grants with other federal funds.

- Localities can directly fund water lines, sewer connections, and access roads necessary to make a new affordable housing site viable.

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Policy Reforms to HOME Investment Partnership Program

➢ **Eliminating barriers to using HOME to support homeownership (Sec. 501)**

- Allows households using HOME for homeownership activities to purchase or rehabilitate homes valued at up to 110 percent of the average purchase price for the area in which the property is located.

- Expands eligibility for HOME homeownership assistance to households earning up to 100 percent of area median income (AMI).

- Streamlines the “resale” option for HOME homeownership activities.

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Policy Reforms to HOME Investment Partnership Program

➢ Streamlining Section 3 Requirements (Section 501)

- HOME is subject to Section 3 of the Housing and Urban Development Act of 1968, which requires recipients of HOME funds to prioritize employment, training, and contracting opportunities for low-income individuals and businesses within their communities.

- Section 3 often has been a disincentive for contractors to work on HOME-financed properties, particularly in areas that have an insufficient pool of qualified contractors, like rural areas and other smaller communities.

- The Act adjusts Section 3 requirements so that states & local PJs allocated <$3 million annually would need to comply with Section 3 only for properties with >50 total units in them. Larger local PJs still need to comply with Section 3 regardless of the size of the HOME-assisted property.

Policy Reforms to HOME Investment Partnership Program

➢ **Simplifying HOME property inspection requirements for states (Section 501)**

- The Act modifies property inspection requirements for state agencies administering HOME funds (state PJs) by allowing them to conduct inspections based on a national standard rather than in accordance with local codes. For state PJs, this would bring HOME in line with other HUD programs that simply apply a national standard for inspections.

- The previous local code inspection requirements effectively required state agency compliance staff to be fully trained in the details of codes for every locality statewide. By allowing state PJs to use a national standard, such as NSPIRE established by HUD's Real Estate Assessment Center, states now can ensure HOME-financed housing remains high quality without requiring expertise in potentially hundreds of different local codes.

Policy Reforms to HOME Investment Partnership Program

➢ **Allows HUD to forgive repayment if a property is no longer financially viable due to economic reasons beyond the grantee or owner's control (Section 501)**

- Under previous requirements, HUD mandated full repayment of HOME funds by the PJ if a HOME-assisted property no longer qualified as affordable housing at any point during the affordability period with few exceptions. This meant that, if a property no longer qualified as affordable housing in year 19 of a 20-year affordability period, the PJ was responsible for repayment of the entire HOME grant provided to finance the property.

- The Act allows HUD to waive repayment if a property no longer qualifies as affordable housing because it is not financially viable due to unforeseen circumstances beyond the control of the HOME grantee or owner that significantly impact the property's financial or physical condition.

Policy Reforms to HOME Investment Partnership Program

➢ Streamlining CHDO qualification requirements (Section 501)

- Previously, HOME grantees were required set aside at least 15 percent of annual funds to allocate to Community Housing Development Organizations (CHDOs) and the statute set forth requirements related to the role CHDOs must play in the ownership, sponsorship, or development of housing financed with CHDO set-aside dollars

- The Act simplifies CHDO board requirements by removing the word 'significant' from the previous requirement that CHDO boards have significant representation accountable to low-income residents.

- Changes will allow more nonprofit entities to qualify as CHDOs and adjust CHDO participation rules so CHDOs can more effectively partner with other high-capacity entities and still qualify for CHDO set-aside funds.

Policy Reforms to HOME Investment Partnership Program

- **Expanding HOME-eligible activities to include certain infrastructure activities (Section 501)**

• The Act expands the activities for which HOME may be used to include infrastructure improvements directly related or adjacent to a property receiving either HOME or Low-Income Housing Tax Credit financing if the property is in a non-entitlement area (an area in which there is no local entity administering the Community Development Block Grant program).

• Eligible expenses will include off-site and adjacent public infrastructure necessary to support housing developments—such as **water and sewer main connections, road access, sidewalks, and utility extensions**

• **HUD must issue rules to carry out this section within one year of the Act's enactment.**

Build America, Buy America (BABA) Relief (Section 501)

- The implementation of the Build America, Buy America Act rules had created severe compliance friction and material procurement delays for local affordable housing developers.

- Section 501 mandates that HUD conduct a comprehensive review **within 180 days** on how BABA rules bottleneck HOME-assisted projects.

- HUD is required to issue streamlined, clear guidance **within 90 days** of that review to simplify compliance and minimize material sourcing delays.

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Promotion of Community Land Trusts & Shared Equity

- To protect long-term affordability footprints, Section 501 introduces administrative modernizations for alternative housing models.

- It expands the official program eligibility criteria to explicitly recognize and favor Community Land Trusts (CLTs).

- It formally adds shared-equity homeownership models to the list of eligible HOME activities, ensuring public investments keep homes affordable across multiple generations of buyers.

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Homes Are for People, Not Corporations (Section 1001)

➢ **Section 1001 establishes landmark federal restrictions on corporate ownership in residential real estate market**

- The Act bars any for-profit entity with direct or indirect investment control over **350 or more single-family homes** from acquiring additional single-family properties.
- Applies to residential structures containing **two or fewer dwelling units** (single-family residences and duplexes). Manufactured homes and properties with three or more units are explicitly excluded.
- Restricts purchases across direct buys, corporate mergers, bulk portfolio transfers, foreclosures, and contract agreements.
- Excludes purpose-built **build-to-rent (BTR)** developments, active renovation projects, lender foreclosure loss mitigation, and dedicated homeownership-transition programs.
- Does not mandate divestiture or liquidation of existing properties acquired prior to enactment.
- Enforced by civil penalty of up to **3x the property's purchase price or $1,000,000 per violation**, whichever is greater.

Homes Are for People, Not Corporations (Section 1001)

HUD Annual Reporting Mandates

- **Initial & Annual Filings:** Covered institutional investors must notify HUD within **180 days of enactment** and by **December 31st of each calendar year** thereafter.
- **Portfolio Confirmation:** The filing must formally confirm the entity's status as a "large institutional investor".
- **Geographic Unit Breakdown:** Investors must submit a full accounting of all single-family properties (1–2 units) under their direct or indirect investment control, organized by city and state.
- **De Minimis Threshold Exemption:** Portfolio disclosure is not required for specific municipalities where the entity controls **10 or fewer single-family homes**

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Homes Are for People, Not Corporations (Section 1001)

Renter Outreach & Disclosure Requirements

- Mandatory Initial & Annual Written Notice: Investors must provide a written disclosure to each tenant at move-in and annually thereafter.
- Designated Dispute Contact: The written notice must supply direct contact details—name, telephone number, and email address—for the individual or entity responsible for handling tenant disputes. Any changes to this contact information must be updated within 30 days.
- Prominent Website Integration: Institutional landlords must feature information about the Renter Outreach Resource on their public-facing tenant websites.

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Homes Are for People, Not Corporations (Section 1001)

Federal "Renter Outreach Resource" Framework

- Toll-Free & Web Access: HUD is required to launch a national, toll-free hotline and public web portal within 180 days of enactment to receive tenant dispute submissions and regulatory inquiries.
- Inquiry Routing & Response: HUD will establish formal procedures to respond to tenant claims in writing and coordinate with appropriate state or local authorities.
- Compulsory Investor Response: When HUD initiates an inquiry triggered by a tenant submission via the outreach portal, the institutional investor is legally required to respond and cooperate with the investigation.

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Environmental regulatory relief

Exemption on Construction or Modification of Residential Housing Located on an Infill Site (Section 103)

- Exempts the construction or modification of residential housing financed with USDA Section 501, 502, 504, 515, 533, or 538 programs located on an infill site from environmental reviews under the National Environmental Policy Act of 1969.

- The result of this legislative exemption is that the Secretary of Agriculture is not required to carry out any environmental studies, assessments, or reports regarding the environmental effects when providing funding for residential housing projects on infill sites.

- **Infill Site Focus:** Applies strictly to properties located on previously developed infill sites rather than untouched greenfields. An infill sit is a site that **is served by existing infrastructure, including water lines, sewer lines, and roads**. To qualify for the NEPA environmental review exemption, the housing construction or modification must take place entirely within this pre-serviced urban footprint.

Environmental regulatory relief

Better Use of Intergovernmental and Local Development (BUILD) Housing Act (Section 205)

- Cuts red tape around environmental reviews, empowering state, local, and tribal governments to streamline reviews and increase housing development. Specifically, the Act allows HUD to designate certain housing assistance as "special projects" to simplify compliance with NEPA and allows HUD to delegate and coordinate certain housing reviews to states and localities.
    - Acceptance of Local Equivalent
    - Special Projects Designation
    - Expanded Delegation Authority
- While the legal delegation and review powers are active as of July 11, 2026, practical implementation in the field requires HUD to roll out updated administrative policies, delegation protocols, and formal intergovernmental guidance.

Environmental regulatory relief

Streamlining Rural Housing Act (Section 802)

- Directs HUD and USDA to coordinate by establishing a joint environmental review framework for housing projects funded by both agencies.
- **Phase 1:** The departments would need to enter into a memorandum of understanding **within 180 days** of the Act's enactment to evaluate categorical exclusions, develop a process for streamlining adoption of environmental impact statements and environmental assessments approved by the other department, and evaluate the feasibility of a joint physical inspection process for jointly funded properties.
- The Act also calls on the agencies to submit a report to the House Financial Services Committee and Senate Banking Committee **within a year** of enactment with recommendations for legislative, regulatory, or administrative actions to further improve efficiency and effectiveness of programs.

New Pilot Programs

- Pilot Program for Projects That Evaluate Point-Access Block Residential Buildings (Section 102)
- FHA Small-Dollar Mortgage Pilot Program (Section 105)
- Temperature Sensor Pilot Program (Section 106)
- Whole Home Repair Pilot Program (Section 202)
- Affordable Housing Planning and Implementation Grants (Section 207)
- Innovation Fund (Section 208) <u>($200 million annually FY 2027–2031)</u>
- Accelerating Home Building (Section 209)

New Pilot Programs

- **Revitalizing Empty Structures into Desirable Environments (RESIDE) Program (Section 210) ($250K to $10M per award** *funded as a HOME program set-aside).*
- **Build Now Act (Section 213)**
- **PRICE Act (Section 304)**
- **Helping More Families Save Act (Section 404)**
- **Rural Community Development Initiative (Section 502)**
- **Community Development Block Grant–Disaster Recovery Program (Section 504)**

Federal studies, reports, and technical guidance

Federal Guidelines for Point-Access Block Buildings (Section 102)

- Requires the U.S. Department of Housing and Urban Development (HUD) to establish federal guidelines for point-access block buildings, which are generally single-staircase apartment buildings with three or more stories 18 months from July 11, 2026 (January 11, 2028).
- These guidelines will inform the competitive grants for pilot programs to assess the feasibility of such buildings. Guidelines must be issued within 18 months of enactment of the Act and are intended to provide states, territories, tribes, and localities with model code language, best practices, and technical guidance to facilitate the permitting of point-access block residential buildings.

Federal studies, reports, and technical guidance

Federal Guidelines for Point-Access Block Buildings (Section 102) (HUD)

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Federal studies, reports, and technical guidance

Housing Supply Frameworks (Section 107) (HUD)

Directs HUD to develop best practice frameworks for zoning and land-use policies, helping communities identify and overcome barriers to housing development. Documents outlining guidelines and best practices with respect to state and local zoning frameworks must be published **within three years** of the Act's enactment.

Increased Multifamily Loan Limits (Section 211) (FHA)

Directs the Federal Housing Administration (FHA) to study the impact of the increased multifamily loan limits enacted by this section and the impact they have on the volume of FHA-insured multifamily lending and the health of FHA's General Insurance and Special Risk Fund. The report must also examine whether FHA has sufficient authority to increase the FHA multifamily loan limit as needed. FHA must submit the report to Congress **three years after** the Act is enacted.

Federal studies, reports, and technical guidance

Property Improvement and Manufactured Housing Loan Modernization Act (Section 303) (HUD)

Directs HUD to study the cost effectiveness and long-term value of supporting housing finance for factory-built housing. HUD must complete the study within a year of the Act's enactment.

HUD-USDA-VA Interagency Coordination Act (Section 801) (HUD, USDA, VA)

Directs the Federal Housing Administration (FHA) to study the impact of the increased multifamily loan limits enacted by this section and the impact they have on the volume of FHA-insured multifamily lending and the health of FHA's General Insurance and Special Risk Fund. The report must also examine whether FHA has sufficient authority to increase the FHA multifamily loan limit as needed. FHA must submit the report to Congress three years after the Act is enacted.

Federal studies, reports, and technical guidance

Improving Self-Sufficiency of Families in HUD-Subsidized Housing (Section 803) (HUD)

Directs HUD to conduct a study on the implementation of work requirements by public housing agencies, with an assessment of the challenges and benefits of work requirements on public housing agencies and families, including the effects on homelessness, poverty, asset building, job attainment, and public housing agency administrative capacity. HUD must produce the report **within a year** of the Act's enactment.

Exemption on Construction or Modification of Residential Housing Located on an Infill Site (Section 103) (USDA)

Directs USDA to report to Congress within five years of enactment on the impacts of exempting from environmental reviews most USDA-funded residential construction projects located on infill sites.

Federal studies, reports, and technical guidance

Creating Incentives for Small-Dollar Loan Originations (Section 401)(CFPB)

Requires the Consumer Financial Protection Bureau (CFPB) to issue a report to Congress studying the effect of various aspects of loan originator compensation on the availability of small-dollar mortgage loans and to assess the barriers they pose to the availability of small-dollar mortgages to consumers. CFPB must submit the report to the House Financial Services Committee and the Senate Banking Committee **within 270 days** of the Act's enactment.

Small-Dollar Mortgage Points and Fees (Section 402)(CFPB, HUD, FHA)

Requires CFPB (in consultation with HUD and the Federal Housing Finance Agency) to evaluate the small-dollar mortgage origination impact of existing regulations that limit the points and fees lenders can charge on qualified mortgage loans and issue a report within 270 days of enactment.

Federal studies, reports, and technical guidance

Community Investment and Prosperity Act (Section 203) (COC, Fed)

Requires the Comptroller of the Currency and the Board of Governors of the Federal Reserve System to each submit to the House Financial Services Committee and Senate Banking Committee a report on the public welfare investments made by banks.

Rural Housing Service Reform Act (Section 502) (GAO)

In addition to programmatic changes and reports required of USDA, this section requires the U.S. Government Accountability Office (GAO) to submit a report to Congress within one year of enactment on the status of USDA's information technology systems for housing programs, including information on budget and staffing requirements necessary for modernization.

Federal studies, reports, and technical guidance

GAO Studies (Section 804) (GAO)

Directs GAO to study key housing issues to help advance housing and economic opportunities. Specifically, the Act calls for studies on workforce housing, housing for the elderly and persons with disabilities, proximity of housing to Superfund sites, and residential heirs' properties.

Federal studies, reports, and technical guidance

Key Takeaways

The **21st Century ROAD to Housing Act** acts as **authorizing legislation**. This means that while it establishes the programmatic frameworks and authorized spending ceilings, actual cash deployment relies on future congressional appropriations.

Immediate Capital Relief vs. Phased Implementation: While statutory tools like the 20% Public Welfare Investment bank cap, Opportunity Zone preferences, and HOME repayment waivers took effect **immediately on July 11, 2026**, environmental exclusions and local program expansions require **12 to 24 months of agency rulemaking**.

Operational Shift for States and Localities: State Housing Finance Agencies and local PJs gain broader discretion, reduced administrative friction, and new funding alignment—positioning state and regional agencies to move predevelopment projects into construction significantly faster.

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Source information

https://www.ncsha.org/blog/changes-in-store-for-housing-programs-after-congress-passes-comprehensive-housing-bill

https://bipartisanpolicy.org/hub/21st-century-road-to-housing-act-implementation-tracker

https://www.banking.senate.gov/imo/media/doc/21%20ROAD%20to%20Housing%20Act%20Section-by-Section%20FINAL_1os4kxg8uk1et.pdf

Questions?

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