

DATE: October 8, 2026

TO: Interested Parties

FROM: Brownstein Hyatt Farber Schreck

RE: Implementing the 21st Century ROAD to Housing Act

The 21st Century ROAD to Housing Act ([P.L. 119-101](#)) marks one of the most significant federal housing policy overhauls in a generation, and its effects are already reaching the marketplace. Two months after enactment, federal agencies have begun implementing the law's directives, which will reshape how companies acquire, finance, build, and manage residential real estate. From new restrictions on large institutional investors in the single-family rental market to steep penalties for noncompliance, the Act will require many businesses to revisit their acquisition strategies, compliance programs, and long-term investment plans.

This memorandum provides a high-level overview of the major provisions and their implementation timelines. Engaging with agencies early, whether before they act or during the public comment period, gives businesses a meaningful opportunity to shape the resulting rules and requirements. Because many of the Act's directives are novel, policymakers in Washington need to hear directly from industry about real-world impacts and compliance burdens at the outset of the process, before key decisions are locked in.

A detailed breakdown of each directive, including whether it is mandatory or discretionary, can be found in the accompanying tracker. Several deadlines are fast approaching, and on discretionary items, industry may need to push for or against agency action, with outcomes that may vary depending on agency leadership. As a result, securing a seat at the table will be essential over the next several years.

Institutional Investor Provision

Section 1001 prohibits a large institutional investor, defined as an entity with investment control over more than 350 single-family rental (SFR) homes, from purchasing additional SFR homes. Carveouts in the law include new construction, build-to-rent and renovate-to-rent programs, foreclosure-related acquisitions, certain investor-to-investor or transition-period purchases, qualifying 55-and-over communities, and specified tenant homeownership initiatives. Treasury has indicated it is working on rules, and other regulators are likely to fill definitional gaps, though after *Loper Bright Enterprises v. Raimondo* they cannot amend statutory text. However, there are many ambiguities in the text of the statute that need clarification and guidance. Industry should advocate for much-needed clarity to ensure the ability to seek exemptions and remain in compliance.

- Large institutional investors may continue to transact with one another in homes owned before enactment and may acquire homes from smaller investors for two years after enactment. Violations carry a penalty equal to the greater of \$1 million or three times the purchase price.
- The provision takes effect in January 2027. On Oct. 2, the Treasury Department [sent a proposed rule](#) titled "Implementing the 21st Century Road to Housing Act's Ban on Large Institutional Investor Purchases of Single-Family Homes; Part 1" to the Office of Management and Budget (OMB) for review.
- Also by January 2027, HUD must establish a toll-free number and website to help renters of large-institutional-investor properties report and resolve disputes. No appropriation is provided for the program.

Incentivizing Localities to Build More Housing

The law authorizes, but does not appropriate, funding for 14 new or expanded programs, many of which HUD or another agency must first establish. Several may begin with FY 2027 appropriations, but given the unpredictability of the appropriations process, many may not be funded until FY 2028. The most significant programs, many aimed at incentivizing local housing production, are below.

Housing Innovation Fund

- Section 208 establishes a seven-year competitive grant program for localities that demonstrate innovative efforts or marked improvement in housing supply growth, supporting community infrastructure and housing construction. HUD must establish the program by July 2027. The statute authorizes up to \$200 million per year for FY 2027–2031, the highest authorized level in the law.

CDBG Program Changes

- Section 213 establishes a pilot, running FY 2030 through FY 2043, that increases Community Development Block Grant (CDBG) funding for recipients with above-median housing growth and reduces allocations by 10% for those below median. Exclusions apply for low-cost or high-vacancy markets, recent disaster declarations, and jurisdictions lacking zoning or permitting authority. Section 204 also allows recipients to use up to 20% of their CDBG allocation for new affordable housing construction, which was previously ineligible.

HOME Reauthorization and Reform

- Section 501 reauthorizes the HOME Investment Partnerships (HOME) Program, streamlines its environmental review requirements (see NEPA below), and directs HUD to issue Build America, Buy America guidance.
- Section 210, the RESIDE Act, authorizes a \$100 million competitive HOME grant program for FY 2027–2031 to convert vacant and abandoned buildings into attainable housing.

Single-Family Financing

Small Dollar Loans

- Section 105 authorizes a four-year HUD pilot to expand access to mortgages of \$100,000 or less on one-to-four-unit principal residences, potentially including lender incentive payments, FHA term adjustments, and borrower grants for down payment and closing costs. HUD may establish the pilot by July 11, 2027.
- Sections 401 and 402 direct the CFPB to study how loan originator compensation and the Regulation Z qualified-mortgage points-and-fees thresholds affect small-dollar lending, with reports due April 7, 2027.

Appraisal Changes

- Section 403, the Appraisal Industry Improvement Act, modernizes FHA appraiser eligibility, adds education and competency requirements, permits supervised trainee appraisers, and allows federal employee appraisers to work across states. HUD guidance is due by March 8, 2027.

- Section 704, the Appraisal Modernization Act, requires USDA, VA, FHA, and FHFA to require creditors to maintain consumer-initiated reconsideration of value (ROV) procedures, and directs GAO to assess a public appraisal database by March 8, 2027. On Sep. 18, FHFA Director Bill Pulte [issued](#) an order implementing the ROV requirement for the Enterprises.

Manufactured Housing

Changes to Definitions and Financing Access

- Section 301 expands the definition of "manufactured home" to include homes built without a permanent chassis, requires states to treat both types in parity, and directs HUD to issue related construction and energy-efficiency standards by July 11, 2027. Section 302 requires HUD to report on barriers to modular construction financing by July 11, 2027, followed by rulemaking on alternative draw schedules. Section 303 expands FHA Title I loans, including for accessory dwelling units, raises loan limits, and permits terms up to 30 years.

Multifamily Financing

FHA Loan Limit Increases

- Section 211 increases FHA multifamily loan limits upon enactment and indexes future adjustments to the Census Bureau's multifamily construction price deflator. An FHA study of the effects is due by July 11, 2029.

PWI Cap Increase

- Section 203 raises the public welfare investment (PWI) cap for national banks and state member banks from 15% to 20% of unimpaired capital and surplus, effective upon enactment, with biennial OCC and Federal Reserve reports beginning July 11, 2028.

Permitting and Disaster Recovery

NEPA Provisions

- The law streamlines National Environmental Policy Act (NEPA) review for housing. Section 103 exempts USDA-assisted housing on qualifying infill sites from environmental studies. Section 205 lets states, Tribes, and localities assume HUD's review responsibilities, and Section 206 directs HUD to categorically exclude activities such as rental assistance, small-scale construction, and infill projects. Section 501 exempts small-scale HOME activities, and Section 504 lets CDBG Disaster Recovery (CDBG-DR) grantees adopt prior federal reviews. HUD and USDA have also signed the [memorandum of understanding](#) required by Section 802. For additional information on NEPA reforms, see Brownstein's [client alert](#).

CDBG-DR Provision

- Section 504, the Reforming Disaster Recovery Act, authorizes the CDBG-DR program and creates a Long-Term Disaster Recovery Fund providing formula-based allocations for catastrophic disasters, including up to 18% additional mitigation funding, preliminary grants of up to \$5 million, and a general 70% low- and moderate-income benefit requirement. HUD [issued](#) its initial formula notice on Aug. 13. The program sunsets three years after enactment.

Community Financial Institution Provisions

Title IX's nine community financial institution provisions, led by House Financial Services Chairman French Hill (R-AR), address regulatory burden, deposits, examination cycles, and credit union governance. Regulators have issued an [interim final rule](#) implementing Section 903, raising the asset threshold for an 18-month exam cycle from \$3 billion to \$6 billion. Section 902 creates tiered thresholds for reciprocal deposits not treated as brokered, and Section 904 permits well-rated federal credit unions to hold board meetings six times annually.

Next Steps

Near-term milestones include the January 2027 institutional investor effective date and renter-outreach deadline, HUD's July 2027 Housing Innovation Fund deadline, and FY 2027 appropriations needed to fund authorized programs. Agency rules, guidance, FAQs, and informal interpretations will largely determine how the law works day to day. Stakeholders who weigh in early through comment letters, agency meetings, and congressional outreach can help ensure their questions are answered, flag practical concerns before policies are finalized, and gain a clearer understanding of how each agency intends to administer the law.

Brownstein can assist clients with agency outreach, implementation strategy, and comments on forthcoming rulemakings.