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Affordable Housing Alert

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New ROAD to Housing Act would reshape affordable housing

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The ROAD to Housing Act would mark a major federal effort to address affordable housing supply, preservation, vouchers and rural rental assistance.



What's the impact?

- The Act would raise the Public Welfare Investment cap to 20%, potentially increasing bank investment in low-income housing tax credit projects.
- Rental Assistance Demonstration (RAD) authority would expand by 100,000 units, allowing more public housing to convert to Section 8 assistance.
- Build-to-rent and renovate-to-rent communities would be exempt from the Act's single-family home ownership ban for large institutional investors.

After a tumultuous back and forth between the House and Senate, the 21st Century ROAD to Housing Act (the Act) has been passed By Congress and now awaits the president's signature. The Act is expected to have substantial impacts across the affordable housing industry and is the

most significant attempt by Congress to address the nation's affordable housing crisis in decades. The bill aims to increase housing supply, streamline and modernize federal housing programs, encourage further public housing conversions through the Rental Assistance Demonstration program, and keep at-risk rental assistance in rural communities.

Below, we briefly summarize the sections of the 21st Century ROAD to Housing Act that are anticipated to have the largest impact on the affordable housing industry.

The Public Welfare Investment cap has increased from 15% to 20%

The increase of the Public Welfare Investment cap from 15% to 20% is expected to increase investment in the low-income housing tax credit (LIHTC) by banks supervised by the Office of Comptroller of the Currency and the Federal Reserve. As many of these banks were nearing their 15% cap, it is expected that this will allow for billions of additional dollars to be invested in LIHTCs and thus increase and preserve the nation's affordable housing stock.

Build-to-rent and renovate-to-rent are exempted from the ownership ban of single-family homes by institutional investors

The Act would prohibit large institutional investors from owning more than 350 single-family homes. A single-family home is defined as "a structure that contains 2 or fewer dwelling units that are each intended for residential occupancy by a single household" but does not include manufactured homes. Build-to-rent programs, renovate-to-rent programs, elderly (55+) communities, and other types of programs are considered "excepted purchases" and would not be subject to this prohibition. LIHTC and other affordable communities that consist of single-family homes operated as a single project will likely fall under the build-to-rent or renovate-to-rent exceptions. Under the Act, a build-to-rent program is where the owner purchases or builds newly constructed single-family homes to be managed as a rental property, whether as part of a community made up exclusively of renter-occupied single-family homes or as part of a community made up of single-family homes that are both owner- and renter-occupied. Renovate-to-rent programs are exempted if they 1) substantially rehabilitate single-family homes that do not meet structural or core system of local building codes and 2) make improvements in an aggregate dollar amount of not less than 15% of the purchase prices of the single-family homes. Owners would not be required to divest single-family homes they already own.

Cap raised on housing authorities to convert public housing to Section 8 assistance under RAD

The Act would raise the cap on public housing authorities converting public housing through RAD. Under the Fiscal Year 2018 Appropriations Act this limit was 455,000 units. The Act would increase this by 100,000 units, up to 555,000 units.

This section of the Act also ensures that tenant protections promulgated by the RAD notice are codified into law.

Changes to Section 8 voucher inspections

Owners of properties with Section 8 vouchers that are financed through other federal housing programs would be able to rely on those inspections if they occur within the last year instead of having to be reinspected by the public housing authority. Landlords would also be able to request pre-inspections of units prior to receiving voucher holders, a change that is expected to increase landlord participation in the Section 8 voucher program.

Revitalization of HOME program

The HOME Investment Partnerships Program would be reauthorized and reformed. The Act would make several updates to improve program administration and encourage construction of more affordable housing. The Act specifically directs HUD to undertake a review of the Build America, Buy America waiver process as it applies to HOME. Additionally, a pilot program would be created within the HOME Investment Partnerships Program to convert vacant buildings into housing.

Decoupling of rental assistance from USDA mortgages made permanent

The Rural Housing Service Reform Act is included in the new Act and would make several notable changes to United States Department of Agriculture's (USDA) Rural Housing Service programs, including permanently authorizing the decoupling of existing rental assistance from maturing Section 515 mortgages. A significant portion of the properties financed with USDA Section 515 loans will reach maturity in the next two decades and lose the rental assistance that subsidizes a large portion of those affordable housing units. Congress previously authorized a pilot program that allowed USDA to decouple the rental assistance contracts from the maturing mortgages, creating standalone project-based rental assistance contracts. The Act would authorize USDA to make the decoupling program permanent. The Act also includes other improvements for Rural Development programs, including funding for IT modernization and improved funding for nonprofit programs, as well as streamlining of National Environmental Policy Act environmental reviews for some Rural Development projects.

Multiple CDBG reforms and CDBG-DR reinstated for three additional years

Several provisions of the Act address the Community Development Block Grant (CDBG) program. New construction would be added as an eligible use under the CDBG program and the Build Now section of the Act would create a pilot program to incentivize more construction of housing through the CDBG program.

The CDBG Disaster Recovery (CDBG-DR) program would also be reauthorized for an additional three years.

Other provisions

The Act as passed is more than 300 pages and covers many other areas of housing not mentioned above. Other provisions of note are below, although this is not an exhaustive list.

- / The inclusion of the Moving-to-Work bill, which is designed to allow additional public housing authorities to seek Moving-to-Work designation.
- / HUD would be able to give added weight to projects located in Opportunity Zones when awarding competitive HUD grants.
- / Several provisions are aimed at encouraging the construction of manufactured homes, including requiring the Federal Housing Administration (FHA) to review barriers to lending for modular homes, updating the federal definition of manufactured housing to include units not built on a permanent chassis, and updating mortgage lending standards for manufactured homes.
- / FHA multifamily loan limits would be increased to address market costs and to advance affordability.
- / Several provisions are meant to address the housing crisis for the nation's veterans, such as excluding veterans' disability compensation from annual income under the HUD-Veterans Affairs Supportive Housing (VASH) program and assistance in home loans.
- / HUD is directed to establish a program to award grants on a competitive basis to state, local, and tribal entities to assist in planning and implementing affordable housing activities.

A bill signing ceremony had been scheduled today, June 24, 2026, but the president has delayed signing to push for other legislative priorities. We note that a ten-day window begins when a bill is presented to the president for signature. Without further action, the bill would become law without the president's signature within ten days while Congress remains in session. We will continue to monitor developments related to this legislation.

Nixon Peabody's Project Finance, Infrastructure & Real Estate team helps clients navigate the evolving affordable housing landscape, including LIHTC, RAD, Section 8, HOME, CDBG, and USDA rural housing programs.

Our team can assist with structuring, financing, compliance, and strategic planning to help clients capitalize on opportunities under the 21st Century ROAD to Housing Act.

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