

ROAD TO HOUSING IS A DEAD-END FOR AFFORDABILITY

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TOPLINE: President Trump and Congress rightly recognize that American families are facing the [least affordable housing market](#) in history. Unfortunately, the Senate's 21st Century ROAD to Housing Act fails to address the housing affordability crisis. Rather than delivering solutions, the bill will make affordability worse by subsidizing demand while restricting private investment in new housing.

The Good: Lightens regulations on originator compensation and streamlines environmental review:

- Small-Dollar Mortgage Provisions (Sec. 401) instructs the CFPB and FHFA to reevaluate originator compensation rules. The current [one-size-fits-all regulations on loan-originator compensation discourages lenders from making smaller loans](#).
- Streamlining environmental review by allowing HUD to treat more of its programs as "special projects" under existing statutes (Sec. 207) and ordering HUD to reclassify many small-scale or infill housing activities into "exempt" or "categorical exclusion" buckets under NEPA-implementing regulations (Sec. 208) will help mitigate cost overruns and delays. This is a step in the right direction. But Congress should work to fully reform NEPA regulations beyond just HUD programs.

The Bad: Creates new entitlement programs and expands existing government programs that inflate prices by subsidizing demand.

- Allowing public-housing families to use part of their rental payments as a down payment on a home creates a new federal down payment assistance entitlement (Sec. 403-405).
- Increasing FHFA multi-family loan limits (Sec. 213) steers yet more subsidized credit to housing, further inflating values while crowding out private financing. Increasing caps and widening terms for government-subsidized manufactured housing loans (Sec. 302) will contribute to further price inflation in one of the remaining affordable segments of the housing market. Because much of the manufactured housing supply is limited by zoning barriers, the risk of inflation is especially high.
- Allowing national banks and Federal Reserve member banks to hold more "public welfare" investments (Sec. 204) nudges banks toward politically favored sectors, which can crowd out market-driven lending and concentrate risks in subsidized niches. If "public welfare" investments underperform, taxpayers remain implicitly on the hook because large banks operate under an expectation of federal support in crises.
- Creating a federal pilot program for government financing of home repairs for low-income homeowners or landlords complying with rental increase caps partially socializes maintenance responsibilities that should rest with owners and insurers.
- Adding new construction to Community Development Block Grants (CDBGs) (Sec. 206) and awarding bonus CDBGs to selected locales (Sec. 205) further favors projects that meet bureaucratic scoring criteria rather than allowing construction capital to respond to consumer demand. Congress should end CDBGs rather than expand the program. This also revives key aims of the Obama-era Affirmatively Furthering Fair Housing Rule (repealed by President Trump). Conservatives rightfully opposed this attempt to coerce localities into allowing development preferences of federal central planners.



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The Ugly: Effectively shuts down large real estate investors who are providing housing to American families. (Sec. 901)

- The legislation declares war on single-family rental homes by restricting, with limited exceptions, investors from owning more than 349 homes (“large institutional investors”). The limited exceptions to the rule come with their own sets of regulatory burdens including a renter’s right of first refusal and time caps on ownership.
- The definition of a large institutional investor includes investment funds, corporations, general or limited partnerships, and other for-profit entities.
- Large investors must sell newly constructed single-family rentals within seven years of acquisition, to individual homebuyers, with limited exceptions. That mandated disposal horizon is inconsistent with how build-to-rent communities are financed and managed and is widely expected to choke off capital for new build-to-rent projects, effectively dismantling a model that has been funding tens of thousands of new single-family rentals annually.
- The restrictions create a very real problem (a shortage of single-family home rentals) in order to address the illusory problem of institutional investors crowding out the market.
 - Various estimates put the share of institutional single-family rentals in the low-single-digit percentages. Banning or restricting them cannot materially restore affordability in most markets.
 - Especially in markets where the cost of home ownership exceeds the cost of renting a similar property, some families will be forced into renting an apartment rather than a house or take on unwanted costs of a mortgage, insurance, maintenance, and property taxes.
- Investors provide liquidity, absorb risk, and often purchase and rehabilitate distressed properties that would otherwise sit vacant or unmaintained; removing them reduces available renovation capital and can leave marginal homes unsold.
- The restrictions on investment funds would deny millions of individuals the opportunity to invest in real estate investment trust (REITs) focused on the single-family housing market.
- Singling out disfavored owners undermines secure property rights and sets a precedent for political rationing of who may buy a home. This is a big step toward politically managed housing markets.

BOTTOMLINE: The ROAD to Housing takes small positive steps toward improving affordability with NEPA permitting reform on federally subsidized projects. Unfortunately, the bill also restricts whom owners may sell their homes to, limits private investment in single-family housing, socializes maintenance costs, expands government guaranteed and subsidized loans, directs capital to politically favored projects, and coerces communities into adopting zoning preferred by DC bureaucrats. These measures will fail to restore affordability while limiting supply of new single-family rentals. To restore affordability, Congress should fully privatize the government subsidized enterprises (GSEs) which continue to inflate prices, remove other federal distortions in the market, and end the tariffs on housing construction inputs.

