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WASHINGTON POLICY STRATEGY

Potomac Perspective

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A bicameral agreement on a housing bill seems to lean towards the House's version of the legislation. This is a positive for the build-to-rent sector. The 21st Century ROAD to Housing Act also includes regulatory relief for the manufactured housing industry and some modest changes to community bank regulation. Despite the rhetoric, the bill is unlikely to have a material impact on housing prices in the near-term.

- **Institutional investor ownership ban** – The ROAD Act prohibits institutional investors from purchasing single family homes. However, currently owned properties are grandfathered and the ban sunsets in 15 years.
 - **BTR protection** – As expected, BTR construction is excluded from the ban on institutional ownership of single-family homes. It also does not include a seven-year divestment period, as did a version of the legislation that was passed by the Senate earlier this year.
- **Manufactured housing** – The bill updates the federal definition of “manufactured housing” to include units not built on a permanent chassis, which is a positive for the industry.
- **Community bank regulatory relief** – The bill includes changes to community bank regulation including:
 - Allowing custodial deposits to be excluded from the definition of “brokered deposits” if they do not exceed 20 percent of total liabilities and the bank has assets of under \$10 billion. The bill also allows well-capitalized banks to exclude a higher percentage of reciprocal deposits from the definition of brokered deposits.
 - The bill would raise the threshold to \$6 billion in assets for banks to qualify for 18-month exam cycles.
 - The ROAD Act would also ease rules for de novo banks. This would expedite the chartering process and allow start-ups to change business models without pre-approval from the regulators.
- **Impact on housing affordability** – While the ROAD Act includes some changes that could modestly impact housing affordability longer-term, we do not think that the bill will materially impact home prices, especially in the near-term. It lacks meaningful demand-side policy changes and does little to stimulate the supply-side with the exception of the changes to rules on manufactured housing. State and local government zoning and land use laws have a greater impact on housing supply than does federal regulation and the ROAD Act will not significantly impact local rules.
 - The ROAD Act is unlikely to alter the trend in housing starts. We think those are more likely to be impacted by monetary policy, economic growth, and input costs which have been affected by tariffs. As for current home sales, they might be impacted in the future by monetary policy and tax policy. The capital gains tax on home sales will start to impact a larger portion of home sales in the coming years. Congress might have to consider raising the current exemption (\$500k for couples; \$250k for single taxpayers) and indexing these thresholds for inflation (which is not currently done).

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