



UNITED STATES HOUSE COMMITTEE ON  
**FINANCIAL SERVICES**  
CHAIRMAN FRENCH HILL

## Section-by-Section: THE HOUSING FOR THE 21ST CENTURY ACT

The *Housing for the 21<sup>st</sup> Century Act* streamlines housing production and affordability by updating outdated programs, removing unnecessary federal requirements, increasing local flexibility, and allowing banks to more freely deploy funding.

### TITLE I—BUILDING SMARTER FOR THE 21ST CENTURY

**Section 101:** Section 101 directs the Department of Housing and Urban Development (HUD) to publish voluntary guidelines and best practices states and localities could look at as a model in considering how to modernize their own local zoning frameworks.

**Section 102:** Section 102 authorizes a HUD pilot program to award grants to eligible entities to establish “pattern books” of pre-reviewed designs to make it easier to build homes that are always local building code complaint. Doing so would help streamline and expedite local construction processes and build more homes. Authorization for the pilot expires in 7 years.

**Section 103:** Section 103 requires HUD to establish federal guidelines for point-access block buildings (i.e., single staircase apartments with three or more stories). It also allows HUD to award competitive grants for pilot programs to assess the feasibility of such buildings where they make local sense. Authorization for the program expires in 7 years.

**Section 104:** Section 104 requires HUD to reclassify what housing-related activities are exempt from requirements under the *National Environmental Policy Act (NEPA)* of 1969. This provision classifies certain housing-related activities as NEPA “exempt activities,” including tenant-based rental assistance, supportive services, and operating costs. It also classifies other housing-related activities that do not materially alter environmental conditions and do not materially exceed the original scope of the project as NEPA “categorical exclusions,” including the acquisition, new construction, improvement, or rehabilitation of residential buildings, public facilities, and infill and certain other projects. It authorizes HUD to designate certain federally assisted housing activities as a “special project” for purposes of NEPA allowing those activities to proceed under a streamlined local environmental review.

**Section 105:** Section 105 synchronizes the housing standards between HUD and the U.S. Department of Agriculture (USDA) regarding NEPA categorical exclusions, designates a lead agency to streamline the adoption of environmental impact statements and environmental assessments, and evaluates the feasibility of a joint physical inspection process for housing

projects. This section also exempts from NEPA most Rural Housing Service (RHS)-funded projects regarding the construction or modification of residential housing located on an infill site.

**Section 106:** Section 106 updates the statutory maximum loan limits for Federal Housing Administration (FHA) mortgage insurance for residential multifamily construction to reflect current costs, and provides for the use of an inflation adjustment formula more appropriate to housing construction costs for setting those limits going forward.

**Section 107:** Section 107 directs the Government Accountability Office (GAO) to study identifying any gaps in federal housing programs that exclude middle-income households and recommend a definition for “workforce housing” that policymakers can use going forward.

## **TITLE II—MODERNIZING LOCAL DEVELOPMENT AND RURAL HOUSING PROGRAMS**

**Section 201:** Section 201 modernizes HUD’s HOME Investment Partnerships Program (HOME) to align with current housing market conditions and development practices. The reforms expand eligibility to workforce-income households, update outdated program limits and community allocations, expand existing tenant protections, and allow participating jurisdictions greater flexibility to use HOME funds for housing-related infrastructure. This section also streamlines federal requirements by exempting small-scale projects from environmental mandates that frequently delay modest infill, rehabilitation, and construction. Additionally, it extends the timeframe for jurisdictions to commit funds and remove statutory constraints that limit local decision-making.

**Section 202:** Section 202 makes changes to HUD’s Community Development Block Grant (CDBG) program. First, it requires certain communities that elect to receive CDBG funds to include a non-binding plan in their statutorily required use-of-funds reports to review any overly burdensome local land use policies and ideas to improve those policies. It allows an additional eligible use of CDBG funds for affordable housing construction, enabling communities to direct up to 20% of their CDBG resources toward increasing their local housing supply. Additionally, it requires CDBG grantees to maintain a publicly accessible, searchable database identifying undeveloped land owned by the jurisdiction.

**Section 203:** Section 203 establishes a HUD pilot program to issue competitive grants to assist state, local, and tribal governments with implementing regional housing planning and community development activities which sunsets in five years.

**Section 204:** Section 204 allows for the greater use of the RHS' Section 504 Home Repair program, including expanding participation to include more low-income families. It requires the RHS to produce an annual report regarding the health of all its programs authorized under Title V of the *Housing Act of 1949* and requires RHS to submit to Congress a report on how to shorten the application processing times for its Section 502 and 504 programs to not more than 90 days. It also requires GAO to submit a report to Congress on the status of RHS' use of technology and the potential cost of modernizing that technology.

**Section 205:** Section 205 allows housing units that are financed through certain existing federal housing programs to automatically satisfy the inspection requirements of HUD's Section 8 Tenant Based Voucher program if they have been inspected within the prior year.

### **TITLE III—EXPANDING MANUFACTURED AND AFFORDABLE HOUSING FINANCE OPPORTUNITIES**

**Section 301:** Section 301 amends the federal definition of “manufactured home” to allow housing built with or without a permanent chassis. It also requires updated standards and state certifications so manufactured homes without a chassis are treated on par with traditional HUD-code homes for financing, sale, installation, and title. This section also establishes HUD as the primary federal authority for approving any manufactured home construction or safety standard, including standards related to a manufactured home's construction, design, energy efficiency, and performance.

**Section 302:** Section 302 authorizes a HUD pilot program to increase access to small-dollar mortgages with original principal balances of \$100,000 or less which sunsets four years after the date the pilot program is established.

**Section 303:** Section 303 allows the Comptroller of the Currency and the Board of Governors of the Federal Reserve System to increase from 15% to 20% the aggregate amount of investments that a national banking association and a state member bank may make to promote the public welfare.

### **TITLE IV—PROTECTING BORROWERS AND ASSISTED FAMILIES**

**Section 401:** Section 401 requires HUD to exclude a veteran's disability benefits from HUD's calculation of income to determine eligibility for its HUD-Veterans Affairs Supportive Housing (VASH) program. It also requires HUD to exclude such benefits from the calculation of income eligibility for any similar future HUD veteran assistance program.

**Section 402:** Section 402 requires the Uniform Residential Loan Application used by most mortgage lenders to include a disclosure informing military veterans that they may be eligible for a Department of Veterans Affairs (VA) home loan.

**Section 403:** Section 403 directs HUD, USDA, and VA to enter into a memorandum of understanding to strengthen interagency coordination regarding housing-related research, data, and market information.

**Section 404:** Section 404 establishes a HUD pilot program allowing up to 5,000 families assisted under Section 8 or Section 9 of the *U.S. Housing Act of 1937* to be enrolled in an opt-out escrow savings program that deposits increases in rent due to income growth into an interest-bearing account on their behalf. Authorization for the pilot program expires in 7 years.

**Section 405:** Section 405 requires that organizations receiving federal funding to provide housing counseling and advice to tenants and homeowners are subject to periodic on-site reviews and performance reviews by HUD. The section also requires HUD to subject poorly performing housing counselors to continued education training requirements, suspensions, or the termination of federal assistance.

**Section 406:** Section 406 requires HUD to establish a helpline for tenants of federally assisted rental units to call for assistance with respect to eviction-related matters. Authorization for the program expires in 7 years.

**Section 407:** Section 407 establishes a HUD pilot program to award grants to public housing agencies and owners of federally assisted rental housing to install temperature sensors in dwelling units, with the written permission of tenants, to ensure compliance with temperature-related housing quality standards. Authorization for the pilot expires in 3 years.

**Section 408:** Section 408 directs GAO to study options to remove barriers and improve housing for elderly and disabled residents under HUD programs, including evaluating the potential impacts of providing capital support, strengthening accessibility standards, expanding service coordination, and improving program alignment across federal housing initiatives. This section also directs GAO to identify the number of residential dwelling units, including public housing units, located within one mile of Environmental Protection Agency-designated Superfund sites and to report those findings to Congress. Lastly, this section directs GAO to establish a comprehensive definition of residential “heirs property,” increase awareness of the range of tools available to owners of heirs properties, and make recommendations on how to assist owners of heirs properties.

## **TITLE V—ENHANCING OVERSIGHT OF HOUSING PROVIDERS**

**Section 501:** Section 501 requires the HUD Secretary to testify before Congress on an annual basis regarding the Department’s operations, oversight activities, and program performance.

**Section 502:** Section 502 requires HUD to mandate that public housing agencies (PHAs) publicly disclose information regarding each contract they enter into and ensure that such agreements are made available online for public viewing. This section also requires troubled PHAs currently subject to the oversight of a receiver or federal monitor to provide annual notice to HUD regarding the status. It requires each receiver or federal monitor of troubled PHA to provide an annual written assessment of the status of their work to Congress, as well as require each receiver or federal monitor to provide additional information (including through congressional testimony) regarding updates on their work upon request by the House Committee on Financial Services or Senate Committee on Banking, Housing, and Urban Affairs.

Section 502 requires each troubled PHA to publicly disclose on their website information regarding any new contract that the PHA enters into while subject to a receiver or federal monitor. It also requires, upon request by the House Committee on Financial Services or Senate Committee on Banking, Housing, and Urban Affairs, the HUD Inspector General to issue a report on the compliance of a troubled PHA with the terms of its receivership or federal monitorship and assess the physical condition of the housing it operates, with recommendations on how to improve a PHA's compliance or enhance oversight of that troubled PHA.

## **TITLE VI— STRENGTHENING COMMUNITY BANKS' ROLE IN HOUSING**

**Section 601:** Section 601 establishes that custodial deposits of an insured depository institution are not considered to be brokered deposits if the total amount does not exceed 20% of an institution's total liabilities and the institution has less than \$10 billion in assets.

**Section 602:** Section 602 modifies the amount of reciprocal deposits of an insured depository institution that are not considered to be brokered deposits under a graduated scale based on an institution's total liabilities. The institution is also required to be well-capitalized and receive strong supervisory ratings from their regulators.

**Section 603:** Section 603 provides well-managed and well-capitalized financial institutions with assets under \$6 billion targeted regulatory relief by instituting alternating limited-scope examinations and allowing institutions to opt into combining their safety and soundness, information technology, cybersecurity, and consumer compliance exams to streamline oversight and reduce burdens.

**Section 604:** Section 604 raises the consolidated asset threshold from \$3 billion to \$6 billion for insured depository institutions to qualify for an 18- month examination cycle.

**Section 605:** Section 605 amends the *Federal Credit Union Act* to revise the frequency of meetings that a Federal credit union's board of directors is required to hold.

**Section 606:** Section 606 requires the GAO and appropriate Federal banking regulators to issue reports within specified timeframes when the Federal Deposit Insurance Corporation (FDIC) invokes the systemic risk exception, detailing causes of bank failures, regulatory actions, and any management or supervisory shortcomings.

**Section 607:** Section 607 amends the *Federal Deposit Insurance Act* to modify the least cost resolution mandate to provide the FDIC with the discretion to approve a bid for a failed or failing bank other than the absolute least cost bid, provided certain conditions and guardrails are met.

**Section 608:** Section 608 amends the *Federal Deposit Insurance Act* and the *Bank Holding Company Act of 1956* to restrict the circumstances under which a Federal banking agency can waive the 10% concentration limits on deposits and liabilities for banking organizations and financial companies when they acquire failed insured depository institutions.

**Section 609:** Section 609 directs the Department of the Treasury to establish a mentor-protégé program pairing large financial institutions with other depository institutions, with the goal of enhancing their capacity to serve customers and potentially act as financial agents.

**Section 610:** Section 610 directs Federal banking and credit union regulators to streamline the de novo application process, reduce duplicative information requests, and review capital-raising restrictions, particularly for non-accredited investors.

**Section 611:** Section 611 creates a two-year phase-in pilot for de novo financial institutions to meet Federal capital requirements.

**Section 612:** Section 612 requires Federal prudential regulators to jointly study ways to improve the growth, capital adequacy, and profitability of rural depository institutions and to identify regulatory barriers to these goals and to the formation of new depository institutions, with a report to Congress due within one year of enactment.

**Section 613:** Section 613 amends the *Federal Reserve Act* to reduce the total amount of discretionary surplus funds that may be held at Federal Reserve banks.