

Unpacking the 21st Century ROAD to Housing Act

Reforms to Strengthen the HOME Program

The 21st Century ROAD to Housing Act makes wholesale changes to the HOME Investment Partnerships Program (HOME). Many of these changes are the result of years of advocacy by the National Council of State Housing Agencies and its partners in the HOME Coalition who have long sought to modernize and streamline the program to increase its efficacy and improve outcomes for low-income families and seniors. This paper details those reforms, most of which are authorized in Section 501 of the Act: the HOME Investment Partnerships Reauthorization and Reform Act. This paper also details Section 210 of the Act: the Revitalizing Empty Structures Into Desirable Environments (RESIDE) Act, which creates a set-aside within HOME for competitive grants for certain adaptive reuse projects.

Reauthorization. The Act reauthorizes the HOME program indefinitely. The program was first established in 1990 with authorization through 1994. Since then, Congress has provided annual appropriations for HOME, but the program has operated without formal authorization for decades. Formal authorization provides legal authority and direction in program implementation. Without it, programs are more vulnerable to calls for funding cuts or elimination.

Eliminating barriers to using HOME to support homeownership. While homeownership activities, such as down payment assistance, mortgage interest buy-downs, construction of for-sale homes, and homeowner rehab, have always been HOME eligible, the law that established HOME inadvertently created barriers to using the program for homeownership that the 21st Century ROAD to Housing Act fixes. The Act:

- Allows households using HOME for homeownership activities to purchase or rehabilitate homes valued at up to 110 percent of the average purchase price for the area in which the property is located. Prior to the Act's enactment, the HOME statute limited the value of for-sale homes that may be purchased, produced, or rehabilitated with HOME to no more than 95 percent of the average area purchase price.
- Expands eligibility for HOME homeownership assistance to households earning up to 100 percent of area median income (AMI) so that more families can benefit from the program. Previously, HOME assistance of any kind (both rental and homeownership) was limited to households earning no more than 80 percent of AMI. Rental housing financed with HOME is still limited to households earning no more than 80 percent of AMI, with at least 90 percent of HOME-assisted units in any individual project occupied by households with incomes of no more than 60 percent of AMI.
- Streamlines the “resale” option for HOME homeownership activities. When HOME is used to support homeownership activities, the property that is purchased or rehabilitated is subject to either resale or recapture requirements if the HOME-

assisted owner sells the property during the affordability period. If resale restrictions are in place, the HOME-assisted owner may sell their property only to a buyer who is also income eligible for HOME, whereas recapture restrictions require the HOME-assisted owner to repay a portion of the HOME funds if they sell during the affordability period but do not require the buyer to meet HOME income limits. In past practice, most participating jurisdictions (PJs) — the state and local governments that administer the HOME program — usually applied recapture restrictions rather than resale because of conflicting requirements in the program's authorizing statute related to resale rules. The 21st Century ROAD to Housing Act makes technical modifications to the resale provision to better facilitate that option and allow PJs to preserve the stock of affordable for-sale housing benefitting lower-income buyers.

- Allows homeownership housing to continue to qualify as affordable housing if the property is owned by a member of the military who is forced to sell before the end of the affordability period.
- Allows homeownership housing to continue to qualify as affordable housing if the property owner passes away during the affordability period and the heir or other beneficiary who inherits the property would not otherwise qualify for HOME assistance.

Streamlining Section 3 requirements. HOME is subject to Section 3 of the Housing and Urban Development Act of 1968, which requires recipients of HOME funds to prioritize employment, training, and contracting opportunities for low-income individuals and businesses within their communities. While the goals of Section 3 are commendable, its practical implementation has resulted in unnecessary cost and administrative burdens with negligible benefits to low-income workers. Section 3 often has been a disincentive for contractors to work on HOME-financed properties, particularly in areas that have an insufficient pool of qualified contractors, like rural areas and other smaller communities. The Act adjusts Section 3 requirements such that states and local PJs allocated less than \$3 million annually would need to comply with Section 3 only for properties with more than 50 total units in them. Larger local PJs still need to comply with Section 3 regardless of the size of the HOME-assisted property.

Simplifying HOME property inspection requirements for states. The Act modifies property inspection requirements for state agencies administering HOME funds (state PJs) by allowing them to conduct inspections based on a national standard rather than in accordance with local codes. For state PJs, this would bring HOME in line with other HUD programs that simply apply a national standard for inspections. The previous local code inspection requirements effectively required state agency compliance staff to be fully trained in the details of codes for every locality across their state. By allowing state PJs to use a national standard, such as NSPIRE established by HUD's Real Estate Assessment Center, states now can ensure HOME-financed housing remains high quality without requiring expertise in potentially hundreds of different local codes. Property owners are still responsible for attesting that their properties meet these local codes, and individual local

governments still may take enforcement actions, as they would with any other property. Local PJs still would need to monitor properties in accordance with their own local codes.

Allowing HUD to forgive repayment if a property is no longer financially viable due to economic reasons beyond the grantee's or owner's control. Under previous requirements, HUD mandated full repayment of HOME funds by the PJ if a HOME-assisted property no longer qualified as affordable housing at any point during the affordability period with few exceptions. This meant that, if a property no longer qualified as affordable housing in year 19 of a 20-year affordability period, the PJ was responsible for repayment of the entire HOME grant provided to finance the property. The Act allows HUD to waive repayment if a property no longer qualifies as affordable housing because it is not financially viable due to unforeseen circumstances beyond the control of the HOME grantee or owner that significantly impact the property's financial or physical condition.

Streamlining CHDO qualification requirements. HOME grantees must set aside at least 15 percent of annual funds to allocate to Community Housing Development Organizations (CHDOs), which are specialized nonprofit entities that meet statutory requirements related to the makeup of their boards and other qualifications. The HOME statute also sets forth requirements related to the role CHDOs must play in the ownership, sponsorship, or development of housing financed with CHDO set-aside dollars. The Act simplifies CHDO board requirements by removing the word 'significant' from the previous requirement that CHDO boards have significant representation accountable to low-income community residents. These changes will allow more nonprofit entities to qualify as CHDOs and adjust CHDO participation rules such that CHDOs can more effectively partner with other high-capacity entities and still qualify for CHDO set-aside funds.

Codifying provisions in annual appropriations bills that simplify HOME administration. For some time, yearly appropriations legislation included language nullifying on an annual basis the redundant HOME commitment deadline and the requirement for recapture of unspent CHDO set-aside funds, allowing those funds to instead roll over into a grantee's HOME trust fund. The Act codifies these two changes so that they do not need to be included in each year's HUD appropriations bill.

Expanding HOME-eligible activities to include certain infrastructure activities. The Act expands the activities for which HOME may be used to include infrastructure improvements directly related or adjacent to a property receiving either HOME or Low-Income Housing Tax Credit financing if the property is located in a non-entitlement area (an area in which there is no local entity administering the Community Development Block Grant program). HUD must issue rules to carry out this section within one year of the Act's enactment.

Changes applicable to Community Land Trusts. The Act enacts a more flexible definition of Community Land Trusts (CLTs) for participation in the HOME program. The new definition references a preemptive purchase option, which previously had been available to CLTs

based on annual appropriations language since 2016. Thus, the Act codifies that ability. Further, it adds ‘shared equity homeownership’ to the definition of ‘housing for homeownership’ under HOME.

HOME environmental review requirements. The Act categorically excludes certain activities carried out with HOME funds from the National Environmental Policy Act environmental review. These activities are new construction infill housing projects, acquisition of real property for affordable housing purposes, rehabilitation projects, and new construction of projects with 15 or fewer units. The Act also reduces duplication of effort by providing that, to the extent practical and permitted by law, properties that have undergone an environmental review are not subject to a second environmental review solely because of the addition, substitution, or reallocation of other federal assistance so long as the project’s scope, scale, and location are unchanged since the previous review. Lastly, developments will need to go through only a single environmental review if they receive funding from two separate entities.

Build America, Buy America requirements for HOME. The Act requires HUD within 180 days of enactment to complete a review of the implementation of Build America, Buy America (BABA) and, within 90 days thereafter, issue updated guidance to clarify BABA’s application to HOME. Further, the Act requires HUD to report to the House Financial Services Committee and Senate Banking Committee on the results of that review and the guidance issued within 270 days of enactment.

Simplifications for small properties. The Act provides that affordable housing properties with four or fewer units are no longer subject to certain tenant selection requirements applicable more broadly to HOME.

Adjustment to the minimum allocation required for a local government to become a participating jurisdiction. The Act raises the formula allocation threshold a local government must meet to become a new PJ from \$500,000 to \$750,000 in any given year. Existing small PJs would be grandfathered in.

RESIDE pilot program to convert vacant and abandoned buildings to housing. The Act enacts a set-aside within HOME for the conversion of vacant and abandoned buildings to affordable housing. While adaptive reuse of such properties is already allowed under the HOME statute, the RESIDE program would authorize competitive grants to HOME PJs to facilitate these activities, and such housing would be available to households earning up to 120 percent of AMI so long as the majority of the units in a property are designated for households earning no more than 60 percent of AMI (the underlying HOME program has more targeted income eligibility requirements). The program will be operational from 2027 to 2031 depending on appropriations.

About This Series

Unpacking the 21st Century ROAD to Housing Act

The 21st Century ROAD to Housing Act is the most comprehensive overhaul of America's affordable housing programs in decades, ushering in policy changes to existing affordable housing programs, establishing new temporary pilot programs and policies, and mandating new research and reporting to better inform housing policy in the future. This white paper is one in a series of policy briefs published by NCSHA in July 2026 analyzing the housing reforms enacted by the legislation.

About NCSHA

For more than 50 years, state Housing Finance Agencies (HFAs) have played a central role in the nation's affordable housing system, delivering financing to make possible the purchase, development, and rehabilitation of affordable homes and rental apartments for low- and middle-income households.

The National Council of State Housing Agencies (NCSHA) is a nonprofit, nonpartisan organization created to advance, through advocacy and education, the efforts of the nation's state HFAs and their partners to provide affordable housing to those who need it.

Learn more at ncsha.org.