Insights

The 21st Century ROAD to Housing Act Becomes Law: What Credit Union Executives Should Know

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The 21st Century ROAD to Housing Act ("**Act**") became law on July 11 without President Donald Trump's signature, after the President neither signed nor vetoed the legislation. The Act represents one of the most comprehensive federal housing packages enacted in recent years. Although much of the Act focuses on housing supply, homeownership, and federal housing programs, several provisions are directly relevant to credit union executives, boards, and management evaluating mortgage strategy, community development activity, growth opportunities, and the competitive landscape.

Not every provision in the Act reaches credit unions. Several of the Act's financial institution provisions amend the banking statutes only and have no counterpart in the Federal Credit Union Act or National Credit Union Administration ("**NCUA**") regulations. Below are five provisions credit unions should be watching, followed by a summary of the bank-focused changes that may nonetheless carry competitive implications for the credit union industry.

1. FHA Small-Dollar Mortgage Pilot Program

The Act authorizes HUD to establish an FHA pilot program intended to increase access to small-dollar mortgages. A small-dollar mortgage is generally defined as a mortgage with an original principal balance of $100,000 or less, secured by a 1- to 4-unit property that is the borrower's principal residence.

The pilot program may include direct payments to mortgagees to incentivize origination, adjustments to FHA terms and costs, grants to borrowers for down payments, closing costs, appraisals, and title insurance, borrower outreach, and technical assistance for participating mortgagees.

Why it matters: Small-dollar mortgage lending can be financially difficult to offer because many origination, compliance, appraisal, title, and closing costs are fixed regardless of loan size. This is especially relevant in rural and lower-cost housing markets. Credit unions that already originate FHA loans as approved mortgagees, or that serve members in geographical areas where home values frequently fall below $100,000, should monitor whether the pilot program improves the economics of small-dollar mortgage lending. The program also aligns with the credit union mission of promoting thrift and expanding access to credit for people of modest means, and may be especially relevant to low-income designated, CDFI-certified, or minority depository institution credit unions serving members in lower-cost housing markets.

2. Housing Supply Initiatives May Create Lending Opportunities

The Act includes numerous provisions intended to increase housing supply, including reforms related to affordable housing construction, publicly owned land, manufactured housing, HOME Investment Partnerships, rural housing programs, and other federal housing initiatives.

Why it matters: The impact on credit unions may be indirect but important. If these provisions result in additional housing development, credit unions may see increased demand for residential mortgage financing, lot loans, construction-to-permanent lending to members, manufactured housing lending, and, for credit unions with commercial lending programs, acquisition, development, and construction lending to builders within their fields of membership.

3. Financial Agent Mentor-Protégé Program for Small Financial Institutions

The Act directs the Secretary of the Treasury to establish a Mentor-Protégé Program. Under the program, a financial agent designated by Treasury or a large financial institution may serve as a mentor to a small financial institution. The program is intended to help small financial institutions prepare to perform as financial agents or improve their capacity to provide services to their members and communities. For purposes of the program, a small financial institution generally includes institutions with $2 billion or less in total consolidated assets, minority depository institutions, and rural depository institutions. It defines a "large financial institution" (the mentor) as any NCUA-regulated entity with total consolidated assets of $50 billion or more.

Why it matters: Although the practical impact will depend on Treasury implementation, the program may create partnership and capacity-building opportunities for smaller credit unions, rural institutions, and minority depository institutions. The asset threshold would capture the substantial majority of credit unions.

4. Restrictions on Large Institutional Investors in Single-Family Homes

The Act restricts certain large institutional investors from purchasing additional single-family homes, subject to a number of exceptions. A large institutional investor generally includes certain for-profit entities that are engaged in owning, renting, managing, or holding single-family homes and that have investment control of at least 350 single-family homes. As not-for-profit, member-owned cooperatives, credit unions generally are not the intended focus of these restrictions; however, Credit Union Service Organizations ("**CUSOs**") could be covered if they operate as for-profit entities, as most do.

The Act includes exceptions, including for certain build-to-rent programs, renovate-to-rent programs, homeownership programs, debt previously contracted, and purchases by mortgage servicers, lenders, or other entities with legal rights to a single-family home for purposes of loss mitigation, servicing, investor obligations, foreclosure, deed-in-lieu transactions, enforcement of a mortgage or security interest, or operation of law following borrower default.

Why it matters: Although this provision is not directed at credit unions, it could affect local housing inventory, competition faced by member borrowers, investor demand, property values, and mortgage demand. Credit unions with significant residential mortgage or construction exposure, and those serving markets with heavy institutional investor activity, should monitor how these restrictions affect local housing markets and member home-buying opportunities.

5. Credit Union Board Meeting Frequency Modernized

The Act directly amends Section 113 of the Federal Credit Union Act (12 U.S.C. § 1761b) to eliminate the long-standing requirement that a federal credit union's board of directors meet at least once each month, replacing it with a risk-based meeting schedule. A de novo federal credit union must meet not less than monthly during each of its first five years. A federal credit union with a composite CAMELS rating of 1 or 2 and a management component rating of 1 or 2 must meet not less than six times annually, with at least one meeting held during each fiscal quarter. A federal credit union with a composite rating of 3, 4, or 5, or a management component rating of 3, 4, or 5, must continue to meet not less than monthly.

Why it matters: This statutory change applies directly to federal credit unions and does not depend on future agency action. Boards of well-rated federal credit unions may reduce their meeting cadence to as few as six meetings each year, so long as they meet at least once per fiscal quarter. Credit unions that adopt a revised board meeting schedule should update their bylaws and board policies to reflect the change.

Other Provisions to Watch

Several of the Act's financial institution provisions amend the banking statutes only and do not apply to credit unions. They are nonetheless worth paying attention to because they may affect the competitive landscape by giving banks greater flexibility in community development investments, brokered and reciprocal deposits, examination cycles, and de novo bank formation.

The Act also includes provisions regarding systemic risk authority transparency, a rural depositories revitalization study, and a prohibition on the Federal Reserve issuing or creating a central bank digital currency without congressional authorization. The rural depositories revitalization study is conducted jointly by the federal banking agencies and does not include credit unions. The same section separately directs the NCUA to conduct a parallel study of credit unions that primarily serve rural areas and to report its findings to Congress within one year of enactment.

Looking Ahead

The 21st Century ROAD to Housing Act is not simply a housing statute. For credit unions, it includes meaningful opportunities in small-dollar mortgage lending, housing-driven loan demand, and capacity-building programs, alongside bank-focused regulatory relief that may reshape the competitive landscape for deposits, community development investment, and new charters. Credit unions should evaluate which provisions align with their fields of membership, strategic plans, and lending capacity.

Krieg DeVault's Financial Institutions attorneys will continue monitoring implementation of the Act and are able to provide counsel to financial institutions on the impact of these changes to their operations.
