

# Senate Pushes Forward Bill Impacting Large Institutional Investors in the Single-Family Housing Market



MARCH 18, 2026

## SUMMARY

On March 12, 2026, the Senate passed the *21st Century ROAD to Housing Act* (the Act). If passed in its current form, the Act would restrict the ability of large institutional investors, such as real estate investment trusts (REITs) and investment funds, to own single-family homes held primarily for rent to residential tenants (SFRs). However, the Act would not require any such large institutional investors currently owning SFRs to sell such properties. The Act will now be returned to the House of Representatives for possible amendment and revision.

## BACKGROUND

On March 2, 2026, the Act was introduced in the Senate by Sens. Tim Scott (R-S.C.) and Elizabeth Warren (D-Mass.). The Act, as introduced, is a modified version of the bill that was previously passed by the House of Representatives in early February. On March 10, 2026, eight days after its introduction, the Senate advanced the Act for consideration on the Senate floor in an 89–9–1 vote, and the Act was subsequently passed by the Senate in an 89–10 vote. The House of Representatives will likely now have the opportunity to consider the Act as passed by the Senate or request a conference to resolve outstanding differences.

## OVERVIEW OF TITLE IX – SECTION 901

Title IX of the Act is an addition to the Senate version of the bill. Section 901 of Title IX, titled “Homes are for people, not corporations,” aims to curb the participation of large institutional investors in the single-family housing market. If enacted, Title IX would materially alter how such investments in SFRs are structured, especially when concerning acquisition strategies, compliance, and exit planning.

## WHO IS A “LARGE INSTITUTIONAL INVESTOR”?

Title IX applies to “large institutional investors,” defined as any investment fund, corporation, general or limited partnership, limited liability company, joint venture, association, or other for-profit entity that (i) is engaged, in whole or in part, in the business of investing in, owning, renting, managing, or holding SFRs and (ii) directly or indirectly (alone or in concert with one or more entities) has investment control of not less than 350 SFRs as of the date of the Act’s enactment, excluding SFRs purchased after such date in an excepted purchase.

Notably, governmental entities are excluded, but REITs and funds engaged in the SFR market will likely fall within the definition.

## **LIMITATIONS ON NEW PURCHASES**

If the Act becomes effective, following a 180-day sunset period, large institutional investors will generally be prohibited from purchasing SFRs. However, the Act does not require divestment of existing SFR portfolios, and the term “purchase” does not include any purchase of an SFR in connection with a restructuring or other reorganization of ownership of applicable SFRs that were owned or purchased on or before the date of enactment.

Additionally, some categories of “excepted purchases” of SFRs are permitted under Title IX, but such purchases require meeting certain technical requirements. For example, large institutional investors may purchase SFRs that are (i) new construction, renovation, or rental conversion projects that are then sold by the purchaser, (ii) pursuant to build-to-rent and renovate-to-rent programs, (iii) in satisfaction of debt previously contracted in good faith with a right of the large institutional investor to repossess, (iv) loss-mitigation or compliance purchases undertaken by a mortgage servicer or lender as the result of foreclosure or deed in lieu of foreclosure, not intended as long-term investments, (v) pursuant to homeownership programs that are, in part, consumer credit transactions secured by a dwelling or real property, and (vi) pursuant to programs to boost homeownership that, in part, provide renters with purchase rights and require the large institutional investors to report rent to credit agencies.

## **DISPOSITION OF CERTAIN EXCEPTED PURCHASES**

Several of these exceptions obligate large institutional investors to sell the SFR to an individual homebuyer within seven years of acquisition. Before the dispositions, the residential tenant of the SFR must be granted a right of first refusal and a 30-day “first look” period to purchase the SFR. If the tenant declines, the SFR must be widely marketed to the general public, but if no offer to purchase is made by an individual homebuyer within 60 days, the large institutional investor shall be considered in compliance with the disposal requirement.

The Act does not require a large institutional investor that is a REIT to dispose of SFRs to the extent such disposal would be a “prohibited transaction” for the REIT that would lead to a 100% tax under Internal Revenue Code Section 857(b).

Further, if a large institutional investor purchases an SFR through an “excepted purchase” and there is an active leasing contract that went into effect no later than six months prior to the date by which the SFR is required to be disposed of, the SFR is not required to be disposed of until the leasing contract expires. However, any renewals of such contract shall not exceed 36 consecutive months.

## **ENFORCEMENT AND PENALTIES**

Violations of the purchase prohibition or disposition requirements may result in civil penalties of up to \$1 million per violation or three times the purchase price of the SFR, whichever is greater.

## **KEY TAKEAWAYS FOR INSTITUTIONAL INVESTORS**

If enacted, Title IX of the Act would significantly limit large institutional investors’ ability to grow their SFR portfolios and would also increase compliance complexity.

Institutional investors with significant SFR exposure should begin evaluating compliance implications, including how acquisition pipelines, operating documents, and transactional arrangements could be affected. It will be necessary to carefully consider whether reliance on certain excepted purchases may be helpful.

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21st Century ROAD to Housing Act

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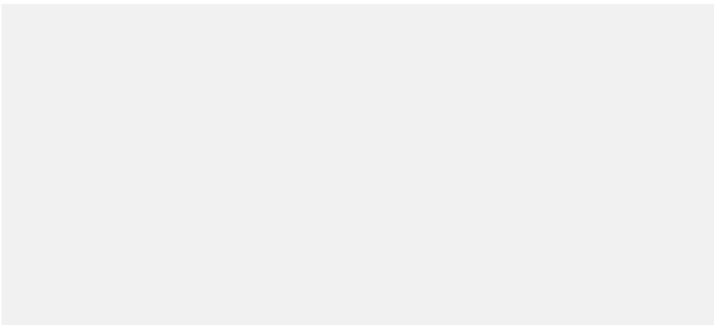
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