theCredential

Update on Emerging LIHTC Issues

by Mike Price
Director, Asset Management & Compliance
Travois Asset Management

Welcome to the recent addition to the credential. Our intent is to provide HCCPs with a brief update on the latest upcoming news and potential changes in the LIHTC industry. Keeping in mind that the majority of HCCPs work with multi-funded projects so we will also touch on some non-LIHTC changes that will most likely affect your day-to-day work.

Back in March, we shared the news that the 21st Century ROAD to Housing Act had passed the Senate. After nearly a year of consideration following its introduction, the legislation was ultimately approved by both the House and Senate and signed into law on July 11, 2026. Many industry leaders are calling it the most significant affordable housing legislation enacted in more than three decades—and it's hard to argue otherwise. The Act contains numerous provisions aimed at addressing the nation's housing shortage, preserving existing affordable housing, and expanding access to development capital. While the full legislation is extensive, several key provisions are expected to have an immediate and meaningful impact on affordable housing development and the LIHTC industry.

So, what does this mean for those of us working in affordable housing every day?

Perhaps the biggest takeaway is that the legislation is designed to bring more capital into the market. By increasing the number of investors, expanding funding sources, and improving financing flexibility, the Act should make it easier to move projects from concept to construction while helping developers overcome many of the financial challenges that have slowed production in recent years.

Some of the most significant provisions include:

- **Increasing the Bank Public Welfare Investment (PWI) cap** from 15% to 20% of risk-adjusted capital. This change is expected to significantly increase LIHTC equity investment from regional and mid-sized banking institutions, broadening the investor base and reducing the market's dependence on a relatively small group of national banks.
- **Providing additional equity to close financing gaps** created by higher interest rates, construction cost inflation, and rising insurance and operating expenses. This additional capital should help revive projects that have been delayed or deemed financially infeasible over the past several years.
- **Reducing syndication and closing timelines** by increasing the availability of equity, allowing developers to secure financing more quickly and begin construction sooner.
- **Expanding investment opportunities in rural and non-metropolitan communities**, where attracting LIHTC investors has historically been more difficult. This provision has the

potential to unlock affordable housing development in markets that have long struggled to secure sufficient equity.

- **Strengthening LIHTC equity pricing**, allowing developers to replace a greater portion of conventional debt and gap financing with tax credit equity, resulting in stronger project underwriting and improved long-term financial sustainability.
- **Offsetting potential reductions in Community Reinvestment Act (CRA) investment activity** by creating additional incentives and capacity for bank participation in affordable housing investments.
- **Removing the cap on the Rental Assistance Demonstration (RAD) program** while extending important tenant protections, creating additional opportunities to preserve aging affordable housing stock.
- **Allowing Community Development Block Grant (CDBG) funds to be used for new affordable housing construction**, providing local governments with another valuable tool to address housing needs.
- **Reauthorizing and modernizing the HOME Investment Partnerships Program**, including administrative reforms that expand program eligibility and provide greater flexibility for jurisdictions to use HOME funds for housing-related infrastructure and development activities.

These highlights represent only a portion of the legislation, but they are among the provisions likely to have the greatest impact on our industry. Taken together, they represent a significant investment in affordable housing production and preservation at a time when the need has never been greater.

While implementation will occur over time and many details will continue to evolve, the overall direction is clear: more capital, more financing flexibility, and more opportunities to bring affordable housing developments to fruition. For developers, housing authorities, investors, lenders, and consultants alike, the 21st Century ROAD to Housing Act creates new momentum for an industry that has spent the past several years navigating unprecedented financial headwinds.

As additional guidance is released and these provisions begin to take effect, we will continue monitoring developments and sharing updates on how the legislation may influence affordable housing financing and development. In the meantime, the passage of this Act represents a promising step toward increasing housing production and expanding access to affordable homes in communities across the country.