

## The Institutional Investor Ban on Single-Family Homes Is Not a Proposal — It Is Coming



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### **Background & Legislative Status**

#### ***Why This Bill Is Not Speculative***

The procedural history of this legislation is telling. The Senate did not pass its own competing measure — it passed House bill number H.R. 6644 via a substitute amendment combining priorities from both chambers. Both bodies are now working from a single legislative vehicle, which substantially reduces the friction typically associated with bicameral reconciliation.

The current conference-level disputes center on community bank deregulation provisions and whether the prohibition on Federal Reserve digital currency issuance is permanent or expires in 2030. The institutional investor restriction in Title IX is not a point of disagreement between the chambers. It was added in the Senate with White House backing and reflects a direct congressional response to Executive Order 14376, signed by President Trump

in January 2026. President Trump further called on Congress to make the ban permanent during his State of the Union address in February.

When a bill passes with these margins, on the same bill number, with presidential demand and White House administrative support already in place, the appropriate planning posture is to prepare for enactment — not to wait for it.

## Key Provisions

### *What the Institutional Investor Restriction Actually Does*

Title IX, Section 901 of the Act — titled "Homes Are for People, Not Corporations" — contains the following operative provisions:

- **General Prohibition.** No large institutional investor (LII) may purchase, or enter into a contract to purchase, any single-family home. A single-family home is defined as a structure with two or fewer units intended for residential occupancy by a single household, expressly excluding manufactured homes.
- **Definition of LII.** A large institutional investor is any for-profit entity engaged in the business of investing in, owning, renting, managing, or holding single-family homes that has investment control — directly or indirectly, alone or in concert with others — of not fewer than 350 single-family homes.
- **No Forced Divestiture.** The bill does not require LIIs to sell or divest single-family homes purchased prior to enactment. Existing portfolios are grandfathered. The prohibition is forward-looking only.
- **Effective Date.** The prohibition takes effect 180 days after enactment and automatically sunsets 15 years from that effective date.
- **Statutory Exceptions.** Certain categories of purchases are characterized as "excepted purchases," including acquisitions pursuant to build-to-rent (BTR) programs and renovate-to-rent (R2R) programs involving substantial rehabilitation of properties not meeting local building codes.
- **Mandatory Disposition of Excepted Purchases.** LIIs that acquire homes under excepted purchase categories are required to sell those properties to individual homebuyers no later than seven years from the date of purchase. Existing tenants receive both a right of first refusal and a 30-day "first look" period prior to any third-party sale.
- **Treasury Rulemaking.** The Secretary of the Treasury is empowered to promulgate regulations implementing Section 901, with authority to minimize market disruptions and clarify definitions — but not to expand the scope of excepted purchases in a manner that would undermine housing availability for individual buyers.

## Legal Analysis

### *The Questions This Creates Are Not Simple*

Section 901 raises a series of structural and transactional questions that will require careful legal analysis for any operator, fund manager, or sponsor with meaningful single-family residential exposure. Among the most immediate:

- *How is "investment control" defined and measured across layered fund structures, co-investment vehicles, separately managed accounts, and affiliated entities acting in concert?*

- *Do indirect holdings — including those held through JV structures, preferred equity positions, or operating company arrangements — aggregate toward the 350-unit threshold?*
- *Are existing build-to-rent pipelines structured in a manner that qualifies for the statutory BTR exception? Do current development agreements, land control positions, and forward purchase commitments constitute an "excepted purchase" or trigger the prohibition?*
- *What does a compliant 7-year disposition strategy look like under existing limited partnership agreements? Do current LP provisions contemplate mandatory liquidation events of this nature, and do they require consent or amendments?*
- *How does the Treasury's forthcoming rulemaking authority interact with existing contractual commitments entered into before, but closing after, the 180-day effective date?*

These are not policy questions — they are legal and structural questions with direct implications for fund documents, acquisition contracts, LP reporting obligations, and portfolio strategy. They require experienced real estate counsel, not a wait-and-see approach.

## Recommended Client Actions

### *Steps to Take Now*

- **Conduct a threshold audit.** Determine your current SFH unit count under investment control, including direct and indirect holdings across all affiliated vehicles. Understand your position relative to the 350-unit threshold before the law is enacted.
- **Review fund documents.** Assess whether your existing LPA, operating agreements, and subscription documents contemplate or conflict with mandatory disposition events, tenant-first sale requirements, or restrictions on future acquisitions.
- **Evaluate your acquisition pipeline.** Any purchase contracts, letters of intent, or forward commitments that have not closed by the 180-day effective date will need to be assessed for compliance risk.
- **Structure BTR and R2R programs carefully.** If your strategy relies on excepted purchase categories, begin working now to ensure your program structure qualifies and that 7-year disposition obligations are addressed in deal documents and investor disclosures.
- **Monitor Treasury rulemaking.** The regulations promulgated by Treasury will be critical in defining the practical scope of the prohibition and exceptions. Engage counsel who can track and respond to the rulemaking process as it unfolds.

## How Lippes Mathias Can Help

Our Real Estate Finance and Private Equity practice works at the intersection of fund structuring, real estate transactional law, and regulatory compliance — precisely where this legislation lands. We advise institutional sponsors, private equity funds, family offices, and operating companies on acquisitions, fund formation, LP agreement structuring, and complex regulatory matters affecting their real estate portfolios.

Whether you need a portfolio-level compliance assessment, guidance on restructuring existing vehicles, or counsel on qualifying your BTR or R2R program under the statutory exceptions, we are prepared to assist. The 180-day window following enactment is finite. Getting ahead of this now is significantly less costly than responding to it after the fact.

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