November 23, 2026

U.S. Department of the Treasury
Attention: Office of Capital Markets
1500 Pennsylvania Avenue NW
Washington, DC 20220

Re: Restrictions on Large Institutional Investor Purchases of Single-Family Homes (Docket No. TREAS-DO-2026-0529; RIN 1505-AC96)

Ladies and Gentlemen:

I. Introduction and Summary

The CRE Finance Council ("CREFC") appreciates the opportunity to comment on the Department of the Treasury's ("Treasury") proposed rule ("Proposal") implementing Section 1001 of the 21st Century ROAD to Housing Act ("the Act").

CREFC comprises over 400 institutional members representing U.S. commercial and multifamily real estate investors, lenders, and service providers, a market with over $6 trillion of commercial real estate ("CRE") debt outstanding.

Members include the lenders, servicers, issuers, and investors who finance single-family rental and build-to-rent portfolios; i.e., the parties who must operationalize Section 1001 at the transaction level, whether or not they are themselves large institutional investors.

We thank Treasury for meeting with CREFC on August 26 and for moving quickly to give the market clarity before the January 7, 2027 effective date. The Proposal addresses several of the issues we raised in substance. In particular, we support Treasury's decisions to:

- Allow homes acquired through foreclosure, deed-in-lieu or other debt satisfaction to be sold to any buyer, including a large institutional investor ("LII"), without a sunset (§§ 36.9–36.10);
- Exclude temporary, incidental holdings, which would therefore include real estate owned ("REO") held pending disposition, from being "in the business" (§ 36.15);
- Confirm that homes held in compliance with the Act may continue to trade between LIIs (§ 36.11); and
- Clarify the renovate-to-rent terms the statute left open (§ 36.6).

Our principal concern is build-to-rent ("BTR"). As proposed, § 36.5 precludes a sale of existing purpose-built rental communities owned by investors below the 350-home threshold to a large institutional investor after January 7, 2029. Those homes were never part of the for-sale housing stock, and many cannot be sold to individual homebuyers at all due to local planning, zoning, tax parcel or condominium restrictions tied to the initial construction approvals. Restricting who may buy impairs the liquidity, value

and financing of BTR housing that already exists, and will chill investment of equity and debt capital to fund construction of new housing units.

Our major recommendations are that Treasury:

1. **Build-to-rent (§ 36.5).** Ensure the exception includes all purpose-built rental homes that were never owner-occupied (Section II).
2. **Debt-related exceptions (§§ 36.9–36.10).** Retain the proposed approach, decline fixed holding periods, permit a foreclosure of a pledge of equity in addition to the foreclosure of a mortgage, and confirm several points about how the exceptions apply in practice (Section III).
3. **Who counts as an LII (§§ 36.2, 36.15–36.16).** Confirm that customary lender rights are not property control rights, clarify the passive-investor test, and specify how LII status is measured, including for homebuilders and investors crossing the 350-home threshold in either direction (Section IV).
4. **LII-to-LII transfers (§ 36.11).** Retain the proposed approach and codify the treatment of purchases and sales made before the effective date (Section V).
5. **Renovate-to-rent (§ 36.6).** Eliminate the requirement to resolve all material deficiencies, along with the 10 percent safe harbor, from the substantial rehabilitation standard. Clarify which costs are included and how land value is determined (Section VI).

II. Build-to-Rent (§ 36.5; Questions 25–38)

Treasury should ensure the build-to-rent exception covers all purpose-built rental homes that have never been owner-occupied, including existing BTR. The Proposal treats a home as "newly constructed" only if it is purchased within 18 months of its certificate of occupancy and first occupied by renters after the purchase. That reading cuts off the institutional exit for an entire class of rental housing, without adding a single home to the for-sale market.

A. The Proposal leaves existing BTR held by smaller owners without an institutional buyer

Whether an LII may buy an existing BTR home depends on who is selling it:

Seller	Home	Sale Date	Can an LII buy it?	Exception
LII holding in compliance	Any age	After Jan. 7, 2027	Yes	(a)(2)(H), § 36.11
Non-LII	Within 18 months of certificate of occupancy[1]	After Jan. 7, 2027	Yes	(a)(2)(B), § 36.5

[1] Note: Proposed § 36.5(c) requires that homes "are, after the purchase, first occupied by renters, whether as part of a community made up exclusively of renter-occupied single-family homes or as part of a community made up of single-family homes that are both owner- and renter-occupied." The clause is unclear. Read literally, each home must be vacant at closing and first occupied by a renter afterward. Treasury's preamble instead describes the condition as evidence that the investor will actually rent the home, and the documentation it expects includes "leasing records demonstrating that the first occupant was a renter." That purpose would be met by a home that was leased before the purchase, was never owner-occupied, and is within 18 months of its certificate of

Seller	Home	Sale Date	Can an LII buy it?	Exception
Non-LII	Any age	Before Jan. 7, 2029	Yes	(a)(2)(I)
Non-LII	Outside 18-month window	After Jan. 7, 2029	**No**	None

The result is that the same community has a permanent institutional exit if owned by an LII and, barring the BTR exception, a 2029 deadline if owned by an entity below the 350-home threshold. After 2029, those small owners can sell BTR outside the 18-month occupancy window only to other investors below 350 homes. Selling home-by-home is usually not an alternative. Many BTR communities sit on a single parcel and cannot be conveyed to individual buyers without subdividing, which is often time-consuming, costly, and frowned upon, if not outlawed, by many local municipalities.

The effect is not deferred to 2029. Buyers and lenders are already asking what exit value to underwrite for these assets. A narrower buyer pool means greater uncertainty in exit pricing, which shows up today as higher required yields, lower loan proceeds, and reduced appetite from both equity investors and lenders. Whether or not large investors are actively acquiring existing BTR from smaller owners today, those owners face a shrinking exit, and that is reflected now in valuations, refinancing terms and the value of the collateral that secures their loans. Treasury's formulation of the regulation would materially reduce exit liquidity and financing for non-LII owners of BTR communities, including middle market and smaller developers and investors. Failure to remove these restrictions will discourage housing investment at the very moment the United States needs more affordable housing, which is the purported purpose of the ROAD to Housing Act.

Treasury's own reasoning elsewhere in the Proposal demonstrates the need for liquidity. In proposing § 36.11, Treasury explained that limiting repeated LII-to-LII sales could impair market liquidity and the orderly disposition of single-family homes without materially advancing the purposes of the Act. The same is true here. BTR homes that were never owner-occupied do not compete with families for homes, and barring their sale to LIIs impairs liquidity in precisely the way Treasury sought to avoid in § 36.11. Treasury closed a similar gap for debt-related acquisitions in §§ 36.9–36.10 by allowing indirect purchases regardless of whether the original acquirer was an LII. Whether a BTR community has an institutional buyer should not turn on whether its current owner holds more or fewer than 350 homes.

The rule's complexity compounds the problem. Even sophisticated market participants are uncertain which side of a transaction the restriction applies to, and that uncertainty is currently priced into potential transactions causing a decline in valuations. We encourage Treasury to include worked examples of common transactions in the preamble to the final rule.

occupancy. The difference matters in a common transaction. A non-LII builds a build-to-rent community and wants to sell it to an LII. To make the community marketable, the builder first leases up a substantial part of it, for example half of the homes. At closing those homes already have renters, so they were not "first occupied by renters" after the purchase. We ask Treasury to clarify that a home satisfies § 36.5(c) if it has never been owner-occupied and is rented, or held for rent, at and after the purchase, including homes leased before closing (Q35, Q37).

B. Treasury has both the authority and statutory mandate to categorically exempt BTR

Treasury has both the authority and a statutory mandate to categorically exempt BTR, including legacy assets, new construction, and new construction BTR that ages beyond the 18-month purchase window. Section 1001(b)(4)(A) of the Act authorizes Treasury to issue regulations, including regulations to "minimize market disruptions upon identifying a risk of material negative impact on the housing market, including an impact on the ability of market participants to dispose of single-family homes in an orderly fashion," and to "mitigate, to the extent possible, negative impacts on consumers and communities." The loss of an orderly disposition path for existing BTR is exactly the type of risk with which Congress was concerned. Section 1001(b)(4)(B) of the Act bars Treasury from amending terms the statute itself defines and from altering the scope or type of an excepted purchase in a manner that would undermine the goal of expanding the number of single-family homes available to individual households. Ensuring that the exception includes existing rental homes that were never owner-occupied does not undermine that goal, because those homes were never available to individual households. "Newly constructed" is not a defined term, so Treasury has room to interpret it in light of the Act's purposes, as it has done for the terms "program," "engaged in the business of" and "passive investor."

Treasury's proposed definition of "newly constructed" as a home "purchased within 18 months of the single-family home receiving its certificate of occupancy" is contrary to the plain text of the Act's BTR exemption, which applies where an LII "purchases, constructs, or constructs and retains newly constructed single-family homes to be managed as a rental property."

Congress clearly intended "a newly constructed single-family home to be managed as a rental property" to describe an asset class (purpose-built or purpose-acquired rental housing) rather than to impose a temporal limit on when the home must have been built. For example, an investor cannot construct a single-family home "purchased within 18 months of the certificate of occupancy." By defining "newly constructed" solely by reference to the date of purchase relative to the certificate of occupancy, Treasury effectively reads the Act as if it referred only to purchases and does not address the Act's express authorization to construct (or construct and retain) such homes. The better reading is that "newly constructed" describes the home's character when it entered service, a reading under which an LII may purchase, construct, or construct and retain a BTR home.

The legislative history points the same way. The enacted bill dropped an earlier version's seven-year forced-disposition requirement for BTR purchases. Treasury's reading could effectively bring a version of the disposition requirement back for non-LIIs. Since a BTR home is only eligible for the exemption within 18 months of completion, any BTR over 1.5 years old and owned by a non-LII becomes unmarketable to LIIs after January 7, 2029. A non-LII could be forced to sell its BTR product to LIIs before 2029 in order to not face a pricing or liquidity event.

Regarding Treasury's concern about "older homes that have been renter-occupied for potentially decades," these legacy BTR homes should not be the target of the purchase prohibition as they were never part of potential purchase stock for single-family homebuyers. A home would qualify only if it (1) has never been occupied by an owner-occupant, and (2) has been operated continuously as a rental

since its certificate of occupancy. Those conditions exclude scattered-site conversions of former owner-occupied homes, which are the homes the Act is designed to keep available to families.[2]

C. The proposed exception for new construction must also reflect market realities

The currently proposed BTR exception does not fully reflect market realities of even new BTR construction.

BTR Communities Are Often Sold in Phases

As proposed, each home in a phased community has its own 18-month period. A community whose certificates of occupancy are issued over two years, therefore, cannot be bought in a single closing at completion. Lease-up of a BTR community commonly takes longer than 18 months from the first certificate of occupancy, particularly for communities delivered in phases. As discussed in the above section, we do not believe Treasury's proposed 18-month window requirement is an accurate reading of the Act. Any timeframe is contrary to the statute. However, if Treasury retains a time-based test, we recommend that it measure the window from stabilization or from the final certificate of occupancy in the community, rather than from each home's certificate.

Regarding documentation (Q38), we support Treasury's flexible approach. Certificates of occupancy, construction contracts and leasing records are sufficient, and the rule should not prescribe specific forms.

D. The proposed regulation is unworkable in many jurisdictions.

Certificates of occupancy (or their equivalent) are not universally used in every jurisdiction. While many jurisdictions do require a certificate of occupancy, requirements vary widely throughout the country. Some jurisdictions use alternatives such as a certificate of final inspection, which is similar to a certificate of occupancy. Other jurisdictions close out projects with simply a final approved inspection. Moreover, there are many rural or unincorporated areas that lack a building department entirely, or have opted out of residential code requirements, so there may be no formal occupancy approval process at all. While the language of the proposal allows equivalents to certificates of occupancy, that still leaves a gap in the proposed regulation for those jurisdictions that simply have a final inspection or

[2]"For build-to-rent programs, this exemption should apply when an investor purchases, constructs, or constructs and retains a single-family home for rental use, whether in a community comprised entirely of renter-occupied single-family homes or in a mixed community of owner- and renter-occupied homes. Clarifying this distinction is essential to carrying out the intent of the House and Senate in this bill.
[…]
Congress also intended exemptions for homes acquired as a part of a community of five or more contiguous rental units, and homes planned, permitted, financed, and constructed as a part of a unified rental community on a single platted parcel that are not intended for individual sale, as well as properties that are made up of multiple rental homes or units constructed on a single parcel of property that cannot be legally sold as individual homes or the units without further subdividing the property." 172 Cong. Rec. H4191 (daily ed. June 23, 2026) (statement of Rep. French Hill).
"Likewise, a single-family home—as defined in the bill—would constitute a home on a single 'plat'. It is not our intent to preempt local zoning. However, if there are multiple homes on a single plat, it is our intent that these homes would be considered multifamily housing." 172 Cong. Rec. S1202–03 (daily ed. Mar. 18, 2026) (statement of Sen. Tim Scott).

have no process at all. In contrast, an approach that is tied to first and continuous use as a rental property is universally applicable to all rental homes.

III. Debt-Related Exceptions (§§ 36.9–36.10; Questions 99–106)

CREFC strongly supports Treasury's approach to the debt-related exceptions and urges Treasury to finalize it without adding holding periods or disposition deadlines. Allowing an LII to buy homes "directly or indirectly" from a lender or servicer that acquired them through default, regardless of whether that acquirer is an LII, keeps the full buyer pool available for loan workouts. About $12.5 billion across 24 securitized large-portfolio SFR loans, backed at securitization by approximately 58,600 homes, has scheduled maturities in December 2026 or during 2027, including about $1.9 billion in December 2026. Four of these loans, totaling about $1.8 billion, have extension options beyond 2027.[3]

Any foreclosures, deeds-in-lieu or workouts in that population need an orderly disposition path, including to the large operators best able to acquire, maintain, lease and operate large portfolios. We would also like to emphasize the following points:

- **Fixed holding periods or disposition deadlines should not be imposed.** Resolving a defaulted loan and obtaining possession of the subject home is subject to numerous uncertainties and can take years due to state and local regulation, litigation, bankruptcy, receivership and market conditions outside the lender's control. A fixed deadline would force sales into distressed timing, depress recoveries for lenders and bondholders, and push lower prices through to comparable homes.

- **Acquisitions through foreclosure or loss mitigation are not a long-term investment strategy.** The proposal does not say when a lender's or servicer's handling of REO could be recharacterized as a long-term investment strategy, which could discourage the loss-mitigation practices the debt exceptions are meant to protect. We ask Treasury to state in the final rule that an acquisition through foreclosure, deed-in-lieu or other loss mitigation, undertaken to preserve, protect or maximize recovery on a defaulted loan, is loss mitigation and not a long-term investment strategy.

- **The final rule should confirm that none of the following activities would convert such an acquisition into a long-term investment strategy**. These activities are often necessary to maximize recovery, and many are legally or contractually required. Federal and state law may require a successor owner to honor existing leases and comply with tenant protections. Pooling and servicing agreements and industry servicing standards require special servicers to maximize recovery for certificate holders, which may mean holding, repairing and leasing a home before selling it. Treating these activities as evidence of a long-term investment strategy would penalize lenders and servicers for meeting those obligations.

    - Holding the home pending disposition;

[3] Source: CREFC calculations using Trepp modeled maturity dates and the latest available remittance data through October 2026. Covers single-borrower, large-portfolio SFR securitizations; excludes multi-borrower pools.

- Making repairs, improvements or capital expenditures to preserve or enhance the home's value;
- Leasing the home, including honoring existing leases;
- Stabilizing occupancy or operations;
- Delaying disposition because of litigation, bankruptcy, receivership, regulatory requirements or market conditions; or
- Marketing the home for sale.

- The final rule should also recognize that most single-family rental loans are secured by a pledge of equity in the entity that owns the properties, in addition to or in lieu of a mortgage. There also may be mezzanine loans made with respect to single-family rental properties, which are secured by direct or indirect pledges of equity in the property owner. Therefore, we recommend the following changes to § 36.10 to clearly permit a foreclosure of a pledge of equity in addition to the foreclosure of a mortgage:

§ 36.10 Loss mitigation or compliance. A large institutional investor purchases a single-family home in accordance with Section 1001(a)(2)(G) of the Act if— (a) the purchase is undertaken by a ~~mortgage~~ loan servicer, lender, or other entity that has a legal right to a single-family home or to equity interests in an entity that owns a single-family home, for the purpose of loss mitigation or compliance with servicing or investor obligations, and not as a long-term investment strategy, and is solely as a result of— (1) a foreclosure, including a foreclosure of any direct or indirect equity interests in an entity that owns a single-family home; (2) a deed-in-lieu or assignment in lieu of foreclosure; (3) enforcement of a mortgage, deed of trust, pledge of equity interests or other security interest; or (4) operation of law following borrower default; and (b) the large institutional investor— (1) is such ~~mortgage~~ loan servicer, lender, or other entity; or (2) purchases the single-family home, or equity interests in an entity that owns a single-family home, directly or indirectly from such ~~mortgage~~ loan servicer, lender, or other entity.

- **Availability to entities that are not LIIs (Q104).** We support confirming in the rule text that these exceptions are available to a lender, servicer or other entity that is not an LII at the time of acquisition, and to any LII that buys from it.

- **Buyer diligence (Q106).** An LII buyer should be able to rely on written representations or certifications from the seller that it acquired the homes through a qualifying default-related event, absent actual knowledge to the contrary. Requiring buyers to re-underwrite the seller's acquisition would slow dispositions without adding meaningful protection.

IV. Who Counts as an LII (§§ 36.2, 36.15–36.16; Questions 1–7, 112–130)

A. "In the business of" (§ 36.15)

We support the exclusion for holdings that are temporary and incidental to another bona fide business, and ask Treasury to make three clarifications.

- Leasing REO during a workout or pending disposition should not by itself make a holding "regular or continuing." Leasing a foreclosed home, or keeping existing tenants in place, often

preserves value, protects residents and is required by the loan documents or applicable law. It is incidental to loss mitigation, not an investment strategy.

- Treasury should not define "temporary" by a maximum holding period but by intent and the primary business (lending, servicing) of the temporary owner (Q120, Q122).
- Treasury should confirm how the definition applies to homebuilders. Homes held by a builder as inventory for sale are held temporarily and incidentally to the business of construction and sale, and should fall within this exclusion. Homes under construction should not count toward the 350-home threshold until the home is rented. Without this clarity, a builder that develops both for-sale and BTR homes may be unable to determine whether it is an LII.

B. Lender rights are not property control rights (Q4, Q6, Q7)

The definition of "property control right" reaches any right to "make, direct, or prevent" decisions about purchasing, selling, holding, leasing, renovating or managing a home. Read literally, it captures routine provisions of SFR and BTR loan agreements:

- Lender consent to the release or sale of collateral homes, often subject to release-price or loan-to-value tests;
- Approval of property substitutions;
- Leasing standards, capital expenditure and reserve requirements; and
- Cash management triggers.

These provisions protect repayment and collateral value. The lender receives no upside from the homes and does not set the borrower's housing strategy. We appreciate the preamble's statement that payment rights, default remedies and standard covenants generally are not property control rights. Because the test turns on effect rather than label, however, lenders need more certainty than "generally."

We ask Treasury to state in the rule text that customary collateral protections in a loan agreement, including those listed above, are not property control rights. More fundamentally, a lender in a customary lending relationship does not have "investment control" of its borrower's homes. We ask Treasury to say so, so that lenders are not forced to rely on a passive-investor test designed for equity holders.

C. Passive investor (§ 36.16; Q127–Q130)

The proposed test treats any property control right as disqualifying and provides no safe harbor for minority-investor protections. Preferred equity and joint venture investors routinely hold consent rights over major decisions, such as a sale of the entire portfolio or a change in business plan. Those rights protect the investor's capital. They do not give it day-to-day control over leasing, renovation or the sale of individual homes. We ask Treasury to adopt a limited safe harbor for customary major-decision rights that do not extend to ordinary-course decisions about individual homes.

As a consequence of the broad definition of property control right, the proposed regulation may cause many investors who ordinarily would be considered non-operating, passive investors to be considered LIIs. Many such investors will decline to participate rather than accept being designated as controlling parties and the accompanying reporting obligations of an LII. As a result, the rule will chill capital

formation for BTR communities by causing financial investors to withdraw from the asset class. As discussed above, discouraging investment in new housing units is contrary to the purposes of the Act.

It is quite common for BTR projects to be constructed and owned in a joint venture between one or more investors and another party who is the developer, operator, and, often, the property manager of the BTR community. In these circumstances, while the investor may have major decision rights, the developer/operator is clearly in control of the development of the project and the day-to-day operations once completed. Yet, both parties could be deemed to have a property control right under the proposed regulations. It serves no additional regulatory purpose to designate two or more unrelated parties as LIIs with respect to a single home. Accordingly, a rule that allows joint venture parties to designate between themselves who has investment control for purposes of the Act would be a commonsense, practical approach to solve the passive investor issue while also maintaining the integrity of the policy behind the Act.

D. Changes in LII status

The Proposal does not say when LII status is measured or how a change in status affects a transaction. We ask Treasury to provide that LII status is determined immediately before each purchase or sale. That interpretation would clarify two situations:

- **Crossing above 350 homes.** A buyer below the threshold should not be treated as an LII for the purchase that first brings it within the definition. Homes it acquired before becoming an LII were, as the preamble states, acquired in compliance, and it should be able to sell them to other LIIs under § 36.11.
- **Selling down below 350 homes.** The LII-to-LII exception requires the seller to be an LII. An LII reducing its portfolio should be able to rely on that exception for the sale that takes it below the threshold. Otherwise its remaining homes lose access to institutional buyers at the moment it sells down, which works against orderly disposition.

V. Purchases from Another LII (§ 36.11; Questions 107–111)

CREFC supports Treasury's interpretation that homes owned at enactment, or bought in compliance with the Act, may continue to trade among LIIs indefinitely. As Treasury recognized, a narrower reading would impair market liquidity and the orderly disposition of homes without advancing the Act's purposes. This secondary-market liquidity also supports the value of the collateral our members finance. We urge Treasury to retain this approach in the final rule, and request two clarifications:

- **Purchases before the effective date.** The preamble states that compliant purchases include those made before the buyer was subject to the prohibition. We ask Treasury to codify that statement in § 36.11, and to confirm that it covers homes purchased, or contracted to purchase under a binding, signed contract, between enactment on July 11, 2026, and the effective date on January 7, 2027.
- **Reliance on seller representations (Q109–Q111).** An LII buyer should be able to rely on written representations, certifications or indemnities from the selling LII that the homes were held at enactment or acquired in compliance, absent actual knowledge to the contrary. Tracing the acquisition history of every home in a large portfolio is not practical.

VI. Renovate-to-Rent (§ 36.6; Questions 13–15, 39–55)

The Act defines a renovate-to-rent excepted purchase as one that:

(i) substantially rehabilitates single-family homes that do not meet structural or core system elements of local building codes; and

(ii) makes improvements in an aggregate dollar amount of not less than 15 percent of the purchase price of the single-family home.

The Proposal, however, states that a qualifying renovate-to-rent program is one in which:

- A large institutional investor substantially rehabilitates single-family homes that do not meet structural or core system elements of local building codes[4] at the time of purchase;
- Resolves all material deficiencies; and
- Makes improvements to each single-family home in an aggregate dollar amount of not less than 15 percent of the purchase price of the single-family home.

The Proposal also would provide a non-exclusive safe harbor for the substantial-rehabilitation requirement, if the LII makes improvements in an aggregate amount of not less than 10 percent of the purchase price of the single-family home on structural or core system elements and resolves all material deficiencies in such elements.

We believe the Proposal goes well beyond what is required by the Act itself. The Act merely requires that the owner "substantially rehabilitate" the home. The Act does not include any requirement to resolve all material deficiencies.

Because "material deficiency" is undefined, it would be difficult for investors and lenders to confirm that a purchase qualifies, and a single unresolved or later-discovered item could disqualify a purchase even where the LII has substantially rehabilitated the home. We also do not believe the 10 percent "safe harbor" actually functions as a safe harbor. It adds a quantitative requirement to "substantial" rehabilitation an investor must do to qualify under the renovate-to-rent exception, but it does nothing to clarify qualitatively what constitutes a substantial rehabilitation. Instead, it sets an unnecessary expectation on what a renovation should entail, an expectation that is not required under the Act. In fact, the prong that imposes a 15 percent requirement supplies the quantitative measure to the overall monetary investment.

This uncertainty is compounded by a lack of clarity on what constitutes substantial rehabilitation to meet structural or core system elements of local building codes. The Proposal defines "structural or core system" by reference to systems that substantially affect structural integrity, habitability, life safety, or the functioning of major building systems, and lists categories drawn from HUD's residential building-code comparison framework. That list is oriented to building-code review. It does not clearly capture several systems and components that are essential to whether a home can be lived in. Roofs and heating, ventilation, and air conditioning ("HVAC") systems are not expressly named. Neither are kitchen and other essential appliances, which the preamble instead treats as cosmetic when it refers to

[4] Based on the Department of Housing and Urban Development's (HUD's) residential building-code comparison framework for identifying systems or areas that affect structural integrity, habitability, life safety, or major building systems.

"appliance upgrades." Replacing inoperable appliances is not only an upgrade or a marketability improvement; it can be necessary for the home to be habitable.

Without clarification, an examiner could treat replacing a roof, an HVAC system, or inoperable appliances as routine maintenance or cosmetic work, even though such work is often the largest component of rehabilitation costs in renovate-to-rent programs and is essential to returning the home to service. We ask that Treasury:

- Clarify that "structural or core system" includes any system or component essential to the habitability of the home. This includes, without limitation, roofs (including roof structure, decking, and covering), HVAC systems, water heaters, bathrooms, kitchens, and other essential appliances;

- Distinguish replacing a system or component that is inoperable or has reached the end of its useful life, which is rehabilitation, from discretionary upgrades of systems or components that remain functional, which are not; and

- Confirm that the replacement or substantial repair of a structural or core system is rehabilitation of that system, not routine maintenance, regardless of the system's age or condition at purchase.

In addition to providing the clarity requested above, we would also make the following recommendations:

- **Soft costs (Q50–Q52).** Permitting, architectural and engineering fees, inspections, contractor overhead and project management are necessary costs of a rehabilitation and should count toward the 15 percent threshold.
- **Land value (Q13–Q15).** Tax-assessed land values are often stale, under appeal or not separately stated. Where the assessed land value is unavailable or unreliable, the rule should permit an appraisal or a purchase-agreement allocation. To prevent manipulation, Treasury could require that any allocation be made at arm's length and consistent with the buyer's tax reporting, with an appraisal required where the allocation departs significantly from the assessed value.
- **Completion timing (Q41).** Eligibility depends on work completed after closing, so it cannot be fully confirmed when a loan is made. We recommend against a fixed completion deadline.

VII. Other Issues

Student housing. The Proposal does not address purpose-built student housing, and we ask Treasury to do so in this phase rather than a later one. The Act defines a single-family home as a structure with two or fewer dwelling units, each intended for occupancy by a single household. Student housing leased by the bed, with bedrooms leased separately to unrelated residents under individual leases, is not occupied by a single household and falls outside that definition. Treasury should confirm this. Without confirmation, an institutional buyer of an existing student housing community would have to rely on the build-to-rent exception, which reaches only homes purchased within 18 months of their certificate of occupancy. Most existing communities would not qualify, leaving owners and lenders unable to determine whether these assets can be sold to institutional buyers at all.

Programs (§ 36.3; Q21, Q24). We support Treasury's flexible, principles-based definition of "program" and its recognition that isolated, good-faith failures should not disqualify a program. We recommend against prescriptive minimum components.

Enforcement (§ 36.17; Q131–Q134). We support treating a single purchase that involves several affiliated LIIs as a single violation for purposes of the maximum penalty.

VIII. Conclusion

CREFC appreciates Treasury's careful work on a short timeline and its engagement with our members. The Proposal resolves most of the issues we raised for lenders and servicers. Build-to-rent remains the significant exception. Ensuring § 36.5 covers all existing purpose-built rental homes that were never owner-occupied would carry out the statute's mandate to preserve orderly disposition, without taking any home away from a family. We would welcome the opportunity to discuss these comments. Please contact Sairah Burki (sburki@crefc.org) or David McCarthy (dmccarthy@crefc.org).

Sincerely,



Paul T. Vanderslice
President & CEO
CRE Finance Council