Housing Policy 2026 Preview

Housing: **Unlocked**

GSE Reform, Pro-Housing Legislation, and Mortgage Innovation Shape 2026

CAPSTONE

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Housing Policy 2026 Preview:

THE BOTTOM LINE

Capstone expects housing policy to be a major priority for federal and state leaders in 2026, including the Trump administration. Lawmakers are likely to begin reshaping the roles of Fannie Mae and Freddie Mac and pursue a range of efforts to increase housing supply and make homes more affordable. We also anticipate continued scrutiny of algorithmic pricing tools used in the rental and real estate markets, along with a wave of changes to federal housing programs.

Outlook at a Glance

- TRUMP ADMINISTRATION PLANS FOR GSE RECAPITALIZATION AND RELEASE TO TAKE SHAPE AMID POTENTIAL 2026 SECONDARY OFFERING, POSING UPSIDE FOR JUNIOR PREFERREDS
- FEDERAL AND STATE LAWMAKERS TO PUSH PRO-HOUSING LEGISLATION CREATING TAILWINDS FOR BUILDERS, LENDERS
- REGULATORY AND LEGISLATIVE CRACKDOWN ON ALGORITHMIC PRICING TO INTENSIFY, RAISING RISKS FOR RENTALS, HOTELS, AND MORTGAGE LENDERS
- REGULATORS EXAMINING CHANGES TO MORTGAGE MARKET TO UNLOCK HOUSING SUPPLY; A POTENTIAL POSITIVE FOR LOAN SERVICERS

Trump Administration Plans for GSE Recapitalization and Release to Take Shape Amid Potential 2026 Secondary Offering, Posing Upside for Junior Preferreds

Winners	Preferred shares of Federal National Mortgage Association (FNMA), Federal National Mortgage Association (FNMAS and FNMAT), Federal Home Loan Mortgage Corporation (FMCC; FMCKI, FMCKJ)
Losers	N/A

Recapitalizing and releasing Fannie Mae and Freddie Mac, collectively the GSEs, from government conservatorship (GSE reform) is a top housing priority for the Trump administration that will likely begin taking shape in 2026 (see "Trump's GSE Reform Push Likely to Gather Momentum as Soon as 2026; Over 60% Upside for Fannie Mae, Freddie Mac Junior Preferreds," November 27, 2024). Senior officials within the Trump administration, including Treasury Secretary Scott Bessent, Federal Housing Finance Agency (FHFA) Director Bill Pulte, Commerce Secretary Howard Lutnick, and even President Trump himself, have been outspoken about the issue of GSE reform, most recently signaling intent to execute a $30 billion initial public offering (IPO) of the entities before the end of 2025. Bessent and Pulte have indicated that the offering would value the companies at $500 billion and involve a sale of 3%-5% of the US Department of the Treasury's stake in the GSEs. We believe such an offering is unlikely to be executed by year-end, as many of the obstacles and outstanding questions that GSE reform entails still remain open-ended. However, we believe the near-term intent and outspoken support within the administration is positive for likely reform within the next three years as President Trump looks to avoid falling short on the policy priority once again (see "Probability GSEs Exit Conservatorship Rises as Trump Signals a Sale, But Year-End IPO Unlikely; Near-Term Positive for Fannie and Freddie Prefs," August 12, 2025).

Remaining Obstacles

2025 was a slow year for GSE reform as competing priorities for tax reform and trade policy took precedence in the Trump administration over the GSEs. In 2026, we expect the Trump administration will take formal steps to enable a release of the GSEs before the end of his term. Chief among remaining obstacles is how to resolve Treasury's stake in the companies, comprised of warrant rights to assume 79.9% of common stock in both GSEs and senior preferred stock in the companies with liquidation preference that currently stands at $355 billion and increases on a dollar-for-dollar basis with retained earnings. We believe it is possible that Treasury will take steps in 2026 to

address the question of how the senior preferreds will be treated and specifically whether the 3%-5% stake that will be sold represents a portion of Treasury's senior preferred stock, or a portion of its warrants.

In addition to how Treasury addresses the question of the senior preferreds, we believe it will be paramount that a executed public offering discloses a plan for how and when the Trump administration plans to approach a release of the GSEs (similar to Treasury's blueprint under the first Trump administration), but more importantly, the level of support that will continue to be provided to the GSEs in the form of its "implicit guarantee" and what government backstop mechanism that will remain in place (see "Probability GSEs Exit Conservatorship Rises as Trump Signals a Sale, But Year-End IPO Unlikely; Near-Term Positive for Fannie and Freddie Prefs," August 12, 2025). Treasury Secretary Bessent and other officials in the Trump administration said the most immediate priority, with respect to GSE reform, is for mortgage spreads not to widen as a result of perceived greater risk associated with the GSEs' mortgage-backed securities (MBS) without explicit government backing.

Outlook

In our view, the administration's ambition in executing a $30 billion offering of its stake in the GSEs is feasible in 2026 if some of these questions are addressed. However, it is likely that the administration is weighing the sale of a small stake in the GSEs before beginning the process of fully winding down Treasury's stake. A small sale would be less likely to cause significant disruption to the mortgage market or alter the perception of the government's support for the GSEs, which would allow the administration more time to formalize and coordinate release plans in 2026 and into 2027. The longer timeline would allow the GSEs to continue retaining earnings and building up to their capital minimums set out by FHFA (see "Trump's GSE Reform Push Likely to Gather Momentum as Soon as 2026; Over 60% Upside for Fannie Mae, Freddie Mac Junior Preferreds," November 27, 2024).

We believe reform efforts still present upside for holders of the GSEs' junior preferred stock, of which the most liquid shares trade between 55 and 70 cents on the dollar at the end of November. While the administration has yet to provide details on how or when junior preferreds will be treated in any restructuring of the GSEs, we believe President Trump is well-aware of the litigation risks that could impede the process should junior preferreds' value be wiped out. While any public offering the administration executes will almost certainly have to address this question, we believe the range of possibilities in dividend reinstatement, conversion to common at, or at a slight discount to par but above current levels, or redemption at or close to par are all viable mechanisms that the administration may ultimately utilize.

We believe continued momentum and signaling from the Trump administration in 2026 could push junior preferreds closer to par, but competing priorities within the administration to provide relief on housing affordability and congressional midterm elections could delay release. While this is possible, we continue to believe reform efforts can, and will, be executed absent Congress' intervention through FHFA's authority as conservator and Treasury's authority as consenting party and controlling shareholder.

Federal and State Lawmakers to Push Pro-Housing Legislation Creating Tailwinds for Builders, Lenders

Winners	Homebuilders DR Horton Inc. (DHI), Lennar Corp. (LEN), Pultegroup Inc. (PHM), NVR Inc. (NVR), Toll Brothers Inc. (TOL), Installed Building Products Inc. (IBP); mortgage lenders UWM Holdings Corp. (UWMC) and Rocket Companies Inc. (RKT); and manufactured housing builders and developers, including Cavco Industries Inc. (CVCO) and Champion Homes Inc. (SKY)
Losers	N/A

Capstone believes state and federal legislators will increasingly embrace pro-housing policies in 2026. Housing and development have traditionally been state and local concerns, but escalating prices for both homes and rental units during the past 15 years have transformed housing affordability into a political priority at the national level. Academic research has highlighted regulatory barriers to construction, namely zoning, as a key driver of higher housing costs.

The Senate has passed the ROAD to Housing bill, which sponsors are referring to as the most significant housing legislation since the Housing and Economic Recovery Act of 2008 (HERA). The bill is a composite of 27 previously introduced pieces of legislation intended to address rising housing costs and constraints on builders amid an ongoing housing affordability crisis (see "DR Horton, Lennar, Pulte, Mortgage Lenders, Manufactured Housing to Benefit from Landmark Housing Reform Bill; Passage Likely by Q2 2026," November 3, 2025). State legislators have adopted wide-ranging reforms, seeking to unlock more development by making it easier to build more units, build denser units, and streamline permitting processes. Housing reforms are occurring across both red and blue states, and we expect to see broader adoption of these laws in 2026.

LANDMARK HOUSING LEGISLATION ATTACHED TO NDAA

The ROAD to Housing Act comprises 40 sections of housing reforms. ROAD to Housing creates zoning reform incentives for state and local jurisdictions, updates federal regulations regarding manufactured housing, and reforms financing rules for small-dollar mortgages. Introduced by Senators Tim Scott (R-SC) and Elizabeth Warren (D-MA), it has strong bipartisan support and passed the Senate Banking, Housing, and Urban Affairs committee by a vote of 24-0. On October 9, 2025, the bill passed the Senate as a rider to the National Defense Authorization Act (NDAA).

We believe ROAD to Housing will pass in some form by the end of Q2 2026, either as a rider to the NDAA or as a separate housing package. Its passage should provide meaningful incentives for state and local governments to reform zoning regulations and expand housing development, creating substantial momentum for home builders. The bill also provides significant tailwinds for manufactured housing by reforming the permanent chassis requirement-reducing the cost of manufactured homes, and allowing higher margin multi-floor homes to be built. In addition, it enables financing for housing encouraged by these reforms by making small-dollar loans (less than $100,000) more economically viable for bank and nonbank lenders. Roughly 30% of mortgages in urban counties, and 40% of mortgages in rural counties, were for less than $100,000.

STATES ADOPTING PRO-HOUSING POLICIES

In 2025, states began to ease zoning laws in an effort to increase the housing supply. The two most popular types of reforms involve allowing accessory dwelling units (ADUs) and allowing multifamily homes near transit and commercial districts. In 2025, seven states passed laws allowing the construction of more ADUs, joining 11 states that passed similar laws in 2024 or earlier. These laws permit the construction of additional housing units, such as basements and cottage-style stand-alone units in single-family areas. Maryland's HB 1466 requires all jurisdictions to permit ADUs. Arkansas' Act 313 and Iowa's Senate File 592 are more typical, allowing ADUs on single-family lots.

In 2025, 10 states also adjusted zoning laws to allow or expand multifamily residential units in commercial zones or transit-oriented development. Texas has been one of the most aggressive states on this front, passing SB 840 to allow apartments in all commercial zones in large and midsize cities, SB 2477 to remove parking requirements for office-to-residential conversions, and SB 15, reducing the lot size needed for new single-family homes. California, a state with some of the most restrictive zoning requirements, recently passed SB 79, allowing more multifamily housing near transit stops.

The impact of these reforms will be distributed unequally. Local authorities generally still retain the ability to "downzone," or reduce the permissible level of housing unit density. Arizona, Wisconsin, Texas, and North Carolina have significant legal barriers to prevent localities from downzoning, with weaker versions in California and Massachusetts. We believe housing availability will grow faster in states with laws preventing downzoning than those without.

Regulatory and Legislative Crackdown on Algorithmic Pricing to Intensify, Raising Risks for Rentals, Hotels, and Mortgage Lenders

Winners	N/A
Losers	RealPage Inc., Camden Property Trust (CPT), Essex Property Trust Inc. (ESS), Equity Residential (EQR), UDR Inc. (UDR), Caesars Entertainment Inc. (CZR), MGM Resorts International (MGM), Hilton Hotels Corp. (HLT), Marriott International Inc. (MAR), Hyatt Hotels Corp. (H), Wyndham Hotels & Resorts Inc. (WH), CoStar Group Inc. (CSGP)

Capstone believes regulatory scrutiny and lawmaker action targeting the emerging, yet novel antitrust theory of "algorithmic collusion" will continue to evolve and present risks for a range of industries in 2026. At the forefront of antitrust litigation on this issue, is Texas-based real estate software company—RealPage Inc.—alongside the multifamily property management industry, which faces antitrust lawsuits and lawmaker scrutiny on multiple fronts.

Scrutiny arose after investigative media outlet ProPublica published an article in late 2022 that claimed RealPage enabled a rent-fixing cartel among landlords nationwide through the use of its algorithmic pricing tools, alongside reports the US Department of Justice's (DOJ) Antitrust Division was investigating RealPage (see "DOJ to Target RealPage Over Conspiracy to Fix, Inflate Rental Rates; Risks to Camden Property Trust, Essex Property Trust, Equity Residential, UDR," November 29, 2025). Since then, class actions, state attorneys general (AG) lawsuits, and statements and lawsuits from DOJ have been filed against RealPage and many other software companies that provide algorithmic pricing tools. This litigation continues to test what has become an emerging area of federal antitrust law.

The novel theory essentially argues that competitors' adoption of common-use pricing algorithms can enable parallel conduct on price/supply, effectively amounting to modern-day price fixing, especially if competitors knowingly agreed to provide non-public competitively sensitive information to the software provider with the understanding that such information will inform the pricing algorithm and that competitors also participate.

While the merits of the theory have not been tested in court, no "algorithmic collusion" case has gone to trial yet, , the risks for companies providing algorithmic pricing software are significant, and we expect scrutiny to grow in 2026. DOJ announced on November 25th that it reached a consent decree with RealPage, which agreed to severe behavioral remedies that we believe will significantly implicate other algorithmic pricing providers should these terms become the basis for what constitutes a legally compliant common-use pricing algorithm (see "Quick Take: Real-

Page Settles With DOJ, Faces Stricter-Than-Anticipated Remedies; Monetary Deals in Class Action, State AG Suits Likely to Follow," November 25, 2025). We believe DOJ's civil antitrust settlement with RealPage will not only drive lawmaker attention, but also further activity from the plaintiffs' bar, which already has been emboldened to pursue litigation in a range of industries, including rental housing, healthcare, luxury hotels, casino-hotels, and most recently, mortgage pricing, among others.

RealPage and Property Manager Risk

RealPage and the property management industry continue to face risks on multiple fronts that we expect will continue to proliferate in 2026. In addition to DOJ's case, which included seven state AGs as co-plaintiffs, RealPage faces five other independent state AG lawsuits, as well as private plaintiff class action multidistrict litigation (MDL), which we estimate damages at trial could be upwards of $73 billion if fully litigated (see "DOJ Scrutiny of RealPage and Algorithmic Price-Fixing to Continue Under Trump; Our Private Litigation Damages Estimates Raised to Up to $73B," December 23, 2024). In 2025, we saw 27 property managers settle, most notably Greystar Real Estate Partners LLC, which settled out of the private MDL for $50 million, and we expect further settlements in light of RealPage's recent deal to resolve claims with DOJ (see "RealPage Quick Take: Greystar's $50M Settlement in Private Litigation Sets Baseline; Pressure Rises for RealPage, Other Defendants to Follow Suit," October 2, 2025).

Additionally, lawmakers have taken notice of the issue and signaled intent to act first to provide relief to constituents, rather than wait for courts to rule in lengthy, uncertain litigation. This year, several states introduced legislation that would outlaw the use of rent-setting algorithms used by two or more competitors and bills were passed in California and New York and signed into law. We expect further state-level efforts to restrict the use of rent-setting algorithms that rely on competitively sensitive information and are used by two or more competitors, providing direct risk not just to RealPage, but also to property managers. We believe rental income growth for these groups could be reduced by as much as 5.5% if RealPage's software is effectively curtailed or severely limited (see "DOJ to Target RealPage Over Conspiracy to Fix, Inflate Rental Rates; Risks to Camden Property Trust, Essex Property Trust, Equity Residential, UDR," November 29, 2025).

Hotels, Casino-Hotels, and Mortgage Lenders

The luxury hotel and casino-hotel industry also has come under scrutiny from DOJ and litigation brought by private plaintiffs centered on the antitrust theory of algorithmic collusion with sizeable monetary liabilities at risk (see "Surging Class Actions and DOJ Crackdown on Pricing Algorithms Pose Significant Risks to Luxury Hotels and Casinos; Hyatt, Hilton Most Exposed," October 11, 2025). While many of the cases have been dismissed at the initial briefing stage, we believe the risks should not be entirely written off as courts are still in the early days of establishing case law on the theory and many existing opinions do not touch the merits of the case.

We believe some of these "secondary" algorithmic collusion cases can see renewed traction in light of DOJ's settlement with RealPage. However, we also recognize that the nature of DOJ settling with RealPage fails to set precedent as the court never ruled on the merits of algorithmic collusion cases. Until such an opinion comes, and through 2026, we expect algorithmic collusion cases to continue being brought in other industries. Most recently, Constellation Software's subsidiary Optimal Blue, alongside the largest mortgage lenders in the country, were named in an algorithmic collusion lawsuit alleging that mortgage lenders entered into a collusive scheme to coordinate and share competitively sensitive information through Optimal Blue's pricing software to artificially inflate mortgage terms. We expect this case, alongside the casino-hotel and luxury hotel cases, will continue to gain traction in 2026, extending the same monetary and behavioral remedy risks that exist for RealPage to other industries.

Regulators Examining Changes to Mortgage Market to Unlock Housing Supply; Potential Positive for Loan Servicers

Winners	Mortgage servicers Mr. Cooper (COOP)/Rocket (RKT), UWM Holdings (UWMC), PennyMac Financial Services Inc. (PFSI)
Losers	N/A

President Trump and his administration have identified housing as a flagship issue heading into the 2026 midterm elections. FHFA Director Bill Pulte has suggested several potential actions to increase housing velocity, including 50-year mortgages, loan portability and assumability, and revising builder-funded rate buydowns. In our view, most of these proposals face significant legal, operational, and policy headwinds, making meaningful implementation unlikely, but assumable mortgages could become a possibility in the medium term.

PORTABLE MORTGAGES UNLIKELY, ASSUMABILITY A POTENTIAL OPTION

Pulte suggested introducing portable and assumable mortgages several times on social media in October and November. Both ideas are an effort to "unlock" the housing supply occupied by owners at low mortgage rates. With mortgage rates consistently above 5% since 2022, many homeowners who could be potential sellers feel locked into their existing homes because current rates are significantly higher.

Portable mortgages, which are more common in markets such as the UK and Canada, would allow a borrower to transfer their existing mortgage rate to a new property. To preserve lender economics, these products often rely on substantial pre-payment penalties and structured fees. Implementing such a product at scale in the US would require significant legal and regulatory changes. The Dodd-Frank Wall Street Reform and Consumer Protection Act limits prepayment penalties to the first three years for qualified mortgages, which conflicts with how portable products are typically structured abroad. Policymakers also have to resolve jurisdictional questions over which state laws govern if a mortgage is effectively "ported" across state lines.

Assumable loans already exist in the housing market. Federal Housing Administration (FHA), US Department of Veterans Affairs (VA), and US Department of Agriculture (USDA) loans—which together account for roughly one-fifth of originations—are assumable, allowing a buyer to take over the seller's existing mortgage rate and terms. The buyer must still fund the seller's equity and

any excess of the purchase price over the outstanding loan balance, either in cash or via secondary financing (typically a higher-rate second lien). Agency rules (US Department of Housing and Urban Development, VA, USDA) generally cap assumption fees at $900 per transaction, limiting profitability for servicers. FHFA, in theory, could permit or encourage assumability on conforming GSE loans and raise or remove fee caps to make the economics more compelling for servicers. That said, such a move would raise questions around how assumable loans are traded and risk-managed in the secondary market. We believe FHFA will continue to explore the expansion of assumable mortgages in 2026, which could create tailwinds for mortgage servicers, but shift demand away from home builders.

50-YEAR MORTGAGES FACE HIGH REGULATORY HURDLES

On November 8th, President Trump, alongside Director Pulte, shared social media graphics promoting a potential 50-year mortgage product. The proposal drew immediate criticism from industry groups, including the National Association of Realtors (NAR). Beyond the political pushback, the regulatory framework for mortgage underwriting makes the introduction of a 50-year "qualified mortgage" highly improbable. Section 1412 of Dodd-Frank explicitly defines qualified mortgages (QMs) as having terms of no more than 30 years, with only narrow exceptions allowed "such as in high-cost areas." The CFPB's Ability-to-Repay rule codifies this 30-year maximum term without a general exception. QM status is critical for lenders and servicers, providing safe-harbor protection (or at a minimum, a rebuttable presumption) against claims that they failed to satisfy ability-to-repay requirements. For a 50-year mortgage to qualify as a QM, the Consumer Financial Protection Bureau (CFPB) would have to undertake a formal rulemaking to amend the ability-to-repay framework. Given the bureau's current staffing constraints, competing priorities, and the likelihood of significant industry and consumer-advocacy opposition, we do not believe the administration will continue to pursue 50-year mortgages.

BUILDER BUYDOWNS AND POTENTIAL EXPANSION OF GSE CONSTRUCTION-TO-PERMANENT PROGRAMS

Posts from both President Trump and Director Pulte have fueled speculation that FHFA could restrict or prohibit large homebuilders from utilizing rate buydowns in conjunction with GSE-eligible loans. Our initial assessment is this outcome appears unlikely. Limiting buydowns could align with the administration's rhetoric that builders should be forced to adjust by lowering nominal home prices, rather than buying down interest rates to lower monthly payments. However, there is no guarantee that builders would respond by cutting prices and they instead could choose to slow sales, hold inventory, or shift product mix, outcomes that would be negative for the administration's housing narrative, builders, and homebuyers.

Given Trump's and Pulte's references to leveraging Fannie Mae and Freddie Mac to improve housing affordability, one potential idea that has been floated is to expand the GSEs' construction-to-permanent financing capabilities. This would allow homebuilders to access lower-rate mortgage loans for construction and the homebuyer then would assume the permanent mortgage at closing. The originating lender would have the option either to retain the loan with a GSE guarantee or to sell the loan into the GSEs' pipeline under the original forward commitment. Proponents liken this to the GSEs' multifamily forward commitment programs and argue that Fannie Mae, in particular, has relevant operational and underwriting infrastructure from prior

non-traditional products (e.g., reverse mortgages with periodic draws). We are cautious about the near-term feasibility of such an expansion. A program of this scale will likely require formal notice-and-comment rulemaking, extensive coordination with FHFA, and significant operational build-out at the GSEs, implying a timeline of at least 12 months under optimistic assumptions. Moreover, meaningfully broadening the GSEs' footprint in construction lending appears to run directly counter to the administration's stated objective of reducing the government's role in housing finance and privatizing and releasing the GSEs from conservatorship.

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