

August 26, 2025

## Update Regarding 25% Test Guidance for Virginia Housing Rental Lending

The final version of the fiscal year 2025 reconciliation bill (H.R. 1) was signed into law on July 4, 2025. The bill includes a provision that lowers the private activity bond financing threshold from 50% to 25% of aggregate basis for buildings placed in service after Dec. 31, 2025, as long as at least 5% of the aggregate land and building costs are financed with private activity bonds issued after Dec. 31, 2025.

In response to this new provision, there will be no changes to Virginia Housing's current policies for projects to be funded by bonds issued in 2025. Applications for these projects have already been received prior to the change in law and changes at this time may add cost and delay the projects.

Virginia Housing is currently evaluating the implications of this change for our tax-exempt loan program moving forward. For projects funded with bond issuances in 2026 and beyond, we are reviewing implementation policies that leverage the benefits of the 25% test to increase the amount of credits available, while at the same time trying to support the continued development of new affordable units and preservation of existing units.

We will be collaborating with the Virginia Department of Housing and Community Development (DHCD) and engaging with other stakeholders to develop transition and long-term plans. Additional information will be forthcoming.

If you have questions or suggestions, please contact David Glassman ([David.Glassman@VirginiaHousing.com](mailto:David.Glassman@VirginiaHousing.com)) or Willie Fobbs ([Willie.Fobbs@VirginiaHousing.com](mailto:Willie.Fobbs@VirginiaHousing.com)).

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