Fiscal Year 2026 Funding for USDA Rural Development and HUD

CARH's Fall Legislative Watch

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Congress, through its appropriations committees, has now advanced its Fiscal Year (FY) 2026 funding bills for USDA Rural Development (RD) and the United States Department of Housing and Urban Development (HUD) in both the House and the Senate. For RD multifamily programs, both chambers' bills maintain stable funding while reinforcing preservation tools and the continuation of decoupling pilot efforts. Both chambers fund Section 521 Rental Assistance (RA) at $1.715 billion (the Administration also requested $1.715 billion). Both bills also continue the decoupling demonstration authority for Stand Alone Rental Assistance (SARA) contracts for when a Section 515 mortgage matures in the next fiscal year, with the House authorizing up to 1,000 units in FY 2026 and the Senate authorizing up to 5,000 units. Section 538 Guaranteed Loans receive $400 million in budget authority in both bills matching the Administration's $400 million request, maintaining a critical public and private financing tool for new production and preservation. The Section 515 program is funded at $60 million in the House and $50 million in the Senate (the Administration requested $50 million). The Multifamily Preservation and Revitalization (MPR) demonstration program is funded at $30 million in the House and $34 million in the Senate (the Administration requested $15 million). Both bills would also encourage USDA to upgrade the multifamily housing technology, particularly as it relates to the SARA program.

On the HUD side, the Senate provides $73.3 billion for HUD programs versus $67.8 billion in the House bill. Both chambers rejected proposals from the Trump Administration to block grant rental assistance to the states. Tenant Based Rental Assistance is funded at $37.4 billion in the Senate, which is $2.1 billion more than the House. Project Based Rental Assistance is funded at $17.804 billion in the Senate, which is $677 million higher than the House number. The Senate reinstates the HOME Investment Partnerships Program at $1.25 billion, while the Trump Administration and the House proposed no funding for HOME. The Senate and House also differ slightly on Community Development Block Grants, with $3.1 billion in the Senate and $3.3 billion in the House. The Senate would fund Section 202 Housing for the Elderly program at $972 million, which is $22 million higher than the House level of funding. The Administration had proposed eliminating funding for this program.

CARH's USDA funding chart is available here and HUD's is available here. Compared to HUD's funding outcomes, RD programs emerged from the FY 2026 appropriations process in a much stronger position. While RD multifamily programs maintained stable or increased funding, particularly for the Section 521 RA program, and preserved key tools such as decoupling, HUD faced significant proposed cuts in the Administration's budget and House bill, particularly to programs like HOME, which were zeroed out entirely. The contrast underscores that RD's programs retained bipartisan support and that continued outreach from CARH members helped reinforce that support even as other housing programs saw deep reductions.

As CARH members are aware, these funding levels have a direct impact on the day-to-day operations and long-term planning of rural housing properties. Adequate rental assistance funding is essential to meet contract obligations in full and to avoid the mid-year proration or deferrals that jeopardize operational stability. Continuity in the MPR program and Section 515 authority is vital to sustaining a preservation pipeline for an aging portfolio. Steady Section 538 authority helps sponsors and lenders keep deals financially feasible when other sources of capital are limited. Where differences exist between the two bills, CARH supports the higher number when it directly protects rental assistance and key preservation programs for both RD and HUD. CARH members are strongly encouraged to reach out to their Senators and Representatives and underscore how critical robust funding for affordable housing programs administered by both RD and HUD is to the stability of rural communities. To contact your Senator, click here. To contact your Representatives, click here. CARH members should visit the Members Only Legislative Update section of CARH's website to download the "Role of Affordable Rental Housing in Rural America" Issue Brief that can be used as talking points in your discussions with members of Congress.

Senate Road to Housing Act

The Senate Banking, Housing, and Urban Affairs Committee voted unanimously on July 29 to advance S. 2651, the Renewing Opportunities in the American Dream (ROAD) to Housing Act of 2025, the first time in 17 years the committee has moved such a comprehensive housing package. The bill includes multiple CARH priorities for rural housing. Most important, the Committee has included legislative initiatives long advocated by CARH including legislation introduced by Senators Mike Rounds (R-SD) and Tina Smith's (D-MN), S.1260, Rural Housing Service Reform Act of 2025, which would permanently authorize the decoupling of the Section 521 RA program from the Section 515 program when the mortgage on a property matures. Under the bill, RD would notify owners four years before loan maturity, work with them on a preservation plan, and extend a SARA contract to keep properties affordable after the loan is paid off. This would shift preservation planning from year-to-year appropriations decisions to a predictable, long-term structure, giving owners and investors the certainty they need to line up financing for LIHTC transactions, which often take several years to plan and execute. The bill would also permanently authorize the MPR program and address cross-agency challenges by directing USDA and HUD to enter into a "Memorandum of Understanding" so that one inspection or environmental review satisfies the requirements of both agencies. This coordination and streamlining measure reflects long-standing CARH recommendations and would eliminate duplicative requirements that delay closings.

Other provisions in the bill could also benefit rural communities indirectly. These include streamlining environmental reviews for small and infill housing properties, making funds available for infrastructure in jurisdictions actively building, supporting conversions of vacant buildings, and modernizing FHA standards for manufactured housing. The unanimous committee vote increases the likelihood that the core rural provisions will survive in bicameral negotiations. For CARH members, the immediate priority is to ensure that both the House and the Senate understand the need to pair decoupling with sufficient rental assistance appropriations and system capacity to administer multi-year contracts.

The bill will now go to the full Senate for consideration, as members have returned from their August recess. As emphasized in the funding section above, members are again strongly urged to actively advocate for the passage of the Road to Housing Act's rural housing provisions. Contact your Senators and Representatives and make clear how critical these measures are to preserving affordable rural housing and ensuring permanent decoupling authority is matched with the funding needed to make it effective.

USDA Reorganization Plan

On August 1, USDA formally opened a public comment period on its proposed Department Reorganization Plan (Secretary Memorandum SM 1078-015), outlining structural changes intended to streamline operations, modernize service delivery, and improve responsiveness to rural communities. The announcement emphasized the agency's goal of reducing bureaucratic layers, consolidating certain functions, and better aligning programs with the needs of the people USDA serves. While the proposal is broad in scope, RD and its housing programs are among the areas that could be most directly affected.

USDA's Reorganization Plan is framed as an effort to improve effectiveness, reduce bureaucracy, and bring the agency closer to the communities it serves. CARH's formal comments, submitted in August, support these goals while outlining the conditions necessary for success from a multifamily housing perspective. The first condition CARH advocated for in its comments is staffing continuity. Transfers, rental assistance payments, property inspections, and asset management guidance require experienced staff. In its letter, CARH conveyed to USDA that gaps during relocations, retirements, or realignments can quickly lead to delayed closings, strained cash flow, and resident hardship. CARH has urged USDA to make staffing decisions based on workload analysis, historical demand, and projected growth, and to preserve program specific expertise for Sections 515, 514, 521, and 538 programs.

The second condition CARH advocated for in its comments is a comprehensive modernization of USDA's information technology systems, which would improve efficiency for RD staff and streamline processes for program participants. CARH views the reorganization as an opportunity to develop secure, integrated systems for underwriting, rental assistance payment processing, and communications with owners and managers. Real time status tracking would reduce duplicate data entry, limit errors, and shorten transaction timelines. This recommendation aligns with language in both appropriations bills calling for USDA to upgrade multifamily systems.

CARH also emphasized the importance of maintaining service centers in rural areas and minimizing disruptions to field operations. Rural communities have unique cost structures and limited private capital options. The reason these programs exist is because conventional lending does not reach many rural areas on workable terms.

CARH's comments also incorporated CARH's March 2025 recommendations on streamlining RD housing programs. These included expediting Section 515 property transfers by removing duplicative documentation, increasing allowable reserve account deposits and automating approval for small withdrawals, simplifying budget approvals, exempting minor rehabilitation from new environmental reviews, aligning inspections with HUD and LIHTC standards, and adjusting Section 538 underwriting terms to improve access to financing.

As USDA moves forward with the reorganization, CARH members should watch for changes that could affect processing timelines and communicate any specific examples of slowdowns to both state and national offices. The combination of stable appropriations, the legislative reforms in the Road to Housing Act, and a reorganization that strengthens rather than weakens service delivery would set the stage for a more predictable and efficient environment for rural multifamily housing.

CARH will be closely tracking each of these developments as Congress returns from the August recess. With appropriations negotiations, potential movement on the Road to Housing Act, and the USDA reorganization process all unfolding at once, this fall is expected to be one of the busiest legislative periods in recent years for housing policy. CARH will continue to keep members informed and engaged, ensuring that the voice of rural housing is heard clearly and consistently as these critical decisions are made on Capitol Hill.

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