

Dear Executive Director:

On February 3, 2026, President Trump signed into law the Consolidated Appropriations Act, 2026, which provides 2026 funding for the Housing Choice Voucher program. We anticipate that PHAs will receive their 2026 Housing Assistance Payments (HAP) funding amounts in the spring after HUD completes the necessary reconciliation of 2025 Voucher Management System data.

In the meantime, we have updated the Two-Year Projection tool to reflect the estimated HAP proration factor of 99 percent and each PHA's estimated renewal funding inflation factor (these figures will not become final until HUD provides the final funding enclosure) to assist PHAs with developing projections for 2026. You can access the tool on our [HCV Tools webpage](#).

As explained in the December 22, 2025 letter from Assistant Secretary Benjamin Hobbs to PHA Executive Directors, HCV per-unit costs at many PHAs continue to outpace rental market inflation as measured by the Renewal Funding Inflation Factors (RFIFs). As a result, some PHAs' HAP renewal funding, even at a high proration factor, may not be enough to fully support every current HCV participant without immediate cost savings measures. **PHAs must take measures now to reduce program costs**, if necessary, to ensure that their expenditures do not exceed their anticipated 2026 funding.

Now that there is a full-year appropriations bill, we can confirm that HUD's tools to address shortfalls in 2026 will be limited, and HUD cannot guarantee that funding will be available to resolve all shortfall needs. Our final 2026 shortfall policies will be outlined in the 2026 HCV funding implementation notice, which will be published in conjunction with the release of PHA funding enclosures this spring.

HUD anticipates performing another statutory offset of excess reserves for non-MTW agencies in 2026, as well as a statutory offset of excess reserves for MTW agencies. All PHAs must plan accordingly.

To avoid terminations of assistance, we are strongly encouraging all PHAs to consider implementing cost savings measures, including, but not limited to:

- Cease issuance of new vouchers (with the exception of HUD-VASH vouchers and Foster Youth to Independence (FYI) vouchers)

- Pause entering into new project-based voucher agreements and commitments (with the exception of public housing repositioning efforts)
- HUD strongly encourages PHAs to consider the most cost-effective methods of responsibly repositioning, including the Section 18 program
- Reduce payment standards, including ending the use of any approved exception payment standards, and remain within the basic range except for reasonable accommodations, as necessary
- Assess rent reasonableness policies and procedures to ensure compliance with statutory and regulatory requirements
- Adopt other cost savings measures in [PIH Notice 2025-28](#), “Cost-Savings Measures in the Housing Choice Voucher (HCV) and Project-based Voucher program.”

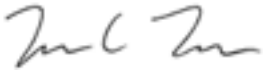
As stated in the December 22, 2025 letter, **all PHAs that received shortfall awards in 2025 are currently considered to be at risk of a funding shortfall in 2026** and must continue to adhere to the Action Plan created with the Shortfall Prevention Team (SPT). This means that these PHAs **may not issue vouchers** except in the very limited circumstances allowable under their Action Plans, and they must also continue to implement cost-savings measures. PHAs that do not continue to adhere to their Action Plans may be ineligible for shortfall funds in 2026. HUD’s SPT will reach out to 2025 shortfall PHAs after they receive their 2026 funding allocations to determine whether they remain at risk of a funding shortfall in 2026 and, if not, whether they may be released from the shortfall restrictions.

HUD is making technical assistance available throughout 2026 to help PHAs manage their program budgets prudently. PHAs experiencing per-unit cost inflation that is outpacing their 2026 RFIF are strongly encouraged to request technical assistance. Please email shortfallinquiries@hud.gov to request assistance.

One final note about the Consolidated Appropriations Act, 2026: To date, funding for the Mainstream Voucher program has been appropriated and tracked separately from the HCV program. For 2026, Congress has incorporated renewal funding for Mainstream vouchers into renewal funding for the HCV program overall. HUD will be providing further information about this transition in the coming weeks and months. In the meantime, be aware that PHAs will continue to track and report leasing and expenditures for Mainstream vouchers separately.

Thank you for everything that you and your staff do to serve your community.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Thomas". The signature is fluid and cursive, with the first name "Todd" and last name "Thomas" clearly distinguishable.

Todd Thomas

Deputy Assistant Secretary

Office of Public Housing and Voucher Programs