NLHA

NATIONAL
LEASED HOUSING
ASSOCIATION

July 13, 2026

Andrew Reisig and Joel Savary
Office of Federal Financial Management
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Re: Docket No. OMB-2026-0034, Regulation for Federal Financial Assistance, 91 Fed. Reg. 32198 (May 29, 2026)

To Whom It May Concern:

The National Leased Housing Association (NLHA) and the undersigned organizations submit these comments expressing our serious concerns with the proposed Regulation for Federal Financial Assistance (the "Proposed Rule") establishing a Uniform Grants Regulation (UGR). For the reasons set out below, we urge the Office of Management and Budget (OMB) to withdraw the Proposed Rule. If OMB elects to proceed with any further rulemaking, NLHA urges OMB to reissue a proposed rule with an extended comment period, clarify the applicability of the proposed changes across federal housing programs, provide a complete regulatory impact analysis specific to programs of the Department of Housing and Urban Development (HUD), and preserve the existing treatment of Annual Contributions Contracts (ACCs) and HUD rental assistance contracts.

NLHA's membership represents the full spectrum of participants in the nation's federal affordable housing programs, including public housing authorities (PHAs); for-profit and nonprofit owners of properties subsidized through Project-Based Rental Assistance (PBRA), Sections 202, 811, and 236, and other HUD multifamily programs; affordable housing developers; lenders; investors; and attorneys advising these participants. Our members operate in every state and serve millions of low-income households across the country.

The Proposed Rule would dramatically change the government-wide framework for federal financial assistance. While many key HUD programs are currently exempt from significant portions of 2 CFR Part 200, the Proposed Rule does not provide sufficient clarity on how the changes would be applied. The Proposed Rule defers to agency- or program-specific statutes that may conflict with positions, but it asserts that regulatory conflicts should be resolved in favor of the UGR. This leaves substantial uncertainty as to how OMB and HUD will interpret and resolve the statutory and regulatory conflicts.

Affordable housing owners, operators, and residents rely on stable and predictable funding across the full spectrum of HUD programs. The potential disruptions and burdens introduced by the Proposed Rule create unacceptable risk for existing affordable housing and will discourage housing investment.

For the reasons set out below, NLHA and the undersigned organizations respectfully request that OMB:

1. Withdraw the Proposed Rule in its entirety;
2. If reissued, extend the comment period, provide greater detail on the applicability to specific housing programs, and conduct a HUD-specific regulatory impact; and
3. In any final implementing rule, HUD must expressly preserve the existing treatment of Annual Contributions Contracts and HUD rental assistance contracts.

I. The Proposed Rule Threatens the Viability of Federal Affordable Housing Programs.

Federal affordable housing programs operate on time horizons measured in years and decades, not annual grant cycles. Multifamily mortgages backed by Housing Assistance Payments (HAP) contracts run for 20 to 40 years. Properties financed with Low-Income Housing Tax Credits (LIHTC) are subject to compliance periods of 15 years and extended use restrictions of 30 years or more. Conversions under the Rental Assistance Demonstration (RAD) depend on long-term HAP contracts as the foundation of new debt and equity financing. The historical reliability of various HUD housing programs is an essential component of their effectiveness.

The Proposed Rule fundamentally undermines this long-horizon stability through several interlocking changes. The expanded discretionary termination authority in proposed § 200.340 would permit federal agencies to terminate discretionary awards based on broad and subjective criteria, including whether the award "no longer effectuates…Federal agency priorities, or the national interest as they exist at the time of the termination." The new temporary suspension authority would permit agencies to halt awards in whole or in part for up to 90 days based on the agency's unilateral determination that suspension is "in the interest of the federal agency." For housing operations that depend on monthly rental assistance flows or scheduled capital draws, ambiguous risks of funding termination or suspension are catastrophic. Similarly, the proposed authority to add or modify award terms and conditions mid-performance under § 200.208, including the authority to switch from advance payments to reimbursement-only payments, would create cash-flow risks that no rational lender or investor can underwrite at favorable terms.

Although certain HUD programs are exempt from key parts of 2 CFR Part 200 and others are structured as statutory entitlements not subject to the new discretionary termination provisions, the layered funding structure of affordable housing means that uncertainty in any single funding source contaminates the entire deal. A property financed with LIHTC equity, HOME or Community Development Block Grant (CDBG) funds, a Section 202 capital advance, and a long-term HAP contract is only as bankable as its least reliable funding source. Increased instability in HOME, CDBG, Section 202 and 811 capital advances, or HUD competitive grants will be priced into LIHTC equity, underwriting standards, and lender risk premiums across the industry.

Affordable housing finance depends on private capital, private landlords, and private partners. Reduced certainty translates directly into reduced participation and worse terms. Three channels of harm warrant particular emphasis:

Reduced HCV landlord participation. The Housing Choice Voucher (HCV) program already faces chronic challenges with landlord participation. Any perception that federal payments may be subject to abrupt termination or suspension, or that program participants may be subjected to new conditions or requirements mid-tenancy, will further depress landlord willingness to lease to voucher holders. Though it does not appear that these provisions of the Proposed Rule will apply to HCV funding, the current version of the rule may create sufficient uncertainty among owners to discourage participation.

Less favorable underwriting and LIHTC pricing. LIHTC deals and other affordable housing transactions that layer federal subsidies aare priced based on lender and investor assessments of payment reliability. Any ambiguity about whether new burdens, including the new termination and suspension authorities, could reach these instruments directly, or indirectly through pass-through entities, will result in higher interest rates, lower equity prices, larger reserve requirements, and fewer transactions reaching financial close. Marginal deals that would otherwise produce affordable units will not be built.

Discouragement of mission-driven nonprofit participation. The Proposed Rule's broad and ill-defined conditions and the reputational-damage termination standard in § 200.332(i) create disproportionate risk for mission-driven nonprofit developers and operators. By reducing the pool of experienced and capable program participants, the rule would increase costs, reduce program effectiveness, and harm the low-income households these programs are designed to serve.

II. Annual Contributions Contracts and HUD Rental Assistance Contracts Must Be Clearly Exempted.

For decades, the Annual Contributions Contract has served as the foundational instrument governing the relationship between HUD and public housing authorities. The ACC framework reflects a carefully balanced allocation of statutory responsibilities and authorities, developed under the United States Housing Act of 1937 and refined over more than 80 years of practice. This statutorily grounded structure provides the predictability that PHAs require to administer public housing and the HCV program, and the predictability that voucher landlords, lenders financing PHA-owned properties, and partners in mixed-finance and RAD transactions require to participate in those programs.

The Proposed Rule does not, on its face, reclassify ACCs or directly modify the contractual relationship between HUD and PHAs. The new discretionary termination authority by its terms does not apply to formula or statutory entitlement programs, and the long-standing exemptions from 2 CFR Part 200 that apply to PBRA HAP contracts and other HUD subsidy instruments appear to remain in place. We appreciate that the Proposed Rule does not appear to disturb these long-standing arrangements.

However, the scope and complexity of the Proposed Rule, combined with revisions to defined terms, new provisions of general applicability, the elimination of long-standing exceptions, and the reclassification of 2 CFR Subtitle A from guidance to binding regulation, raise legitimate concerns about whether ACCs, PBRA HAP contracts, and other long-term HUD rental assistance instruments could be unintentionally or prospectively swept into the new framework. Stakeholders cannot reliably plan, finance, or invest under regulatory ambiguity of this magnitude.

These concerns are heightened by HUD's recent actions imposing new cash management and procurement requirements on PHAs. Notice PIH 2025-20 and related guidance introduced new SF-425 reporting requirements, three-day cash-on-hand restrictions, grant lifecycle enforcement provisions, and a redefinition of Operating Fund program income. These actions have generated significant concern among PHAs about the reliability of Operating Fund draws and reserve management. Separately, the revised PHA Procurement Handbook (7460.8 REV-3) newly subjects Housing Choice Voucher administrative fees and Central Office Cost Center revenues to federal procurement requirements, departing from the flexibility PHAs have relied on for nearly two decades under the asset management framework. Whether or not these particular actions are ultimately sustained on their own terms, they reflect a pattern of unilateral reinterpretation of long-standing PHA administrative arrangements in ways that create material funding uncertainty. The Proposed Rule would move in the same direction on a broader scale, embedding at the government-wide regulatory level the tightened conditions, expanded oversight authorities, and interpretive shifts that have already generated significant concern among housing providers. Expressly preserving the existing treatment of ACCs in any final rule is essential to counter this cumulative trend and to restore the predictability on which PHAs and their partners depend.

We accordingly request that any final rule expressly preserve the existing treatment of Annual Contributions Contracts; expressly preserve the existing exemptions for PBRA HAP contracts and other HUD rental assistance instruments; and direct HUD to issue clear, public guidance reassuring PHAs, owners, lenders, investors, and other industry partners that ACCs and rental assistance contracts are not impacted by the new framework. Without such clarification, the rule will create immediate operational and financing uncertainty across the affordable housing sector, even if HUD ultimately interprets the rule as preserving existing arrangements.

III. New Compliance Burdens Will Negatively Impact Housing Providers.

The Proposed Rule imposes significant new compliance burdens that will fall heavily on housing providers and, ultimately, on the households they serve.

Universal E-Verify mandate. The new E-Verify requirement in § 200.303(f) applies to all recipients and subrecipients, including their contractors performing work under any covered award. Though the

Regulatory Impact Analysis appears to apply this requirement only to public entities, the Proposed Rule is ambiguous. For PHAs, multifamily owners, and contractors operating across multiple programs and properties, the administrative cost of enrolling in and complying with E-Verify, including the obligation to report Final Nonconfirmation notices, is substantial. The requirement raises operational, legal, and risk-management questions that have not been adequately analyzed by OMB. It also risks creating chilling effects on the workforce serving affordable housing developments.

Payment justification requirements. The proposed requirement that non-State recipients submit a written justification with every payment request under § 200.305 may create substantial additional administrative cost. For housing programs that involve recurring monthly draws or scheduled construction payments, the requirement could prove unworkable or wasteful depending on how it is implemented. Federal agencies should not be in the position of receiving and processing thousands of repetitive payment justifications for routine draws.

Buy America extension to all awards. The Proposed Rule extends Buy America-style domestic content preferences beyond the statutorily required infrastructure context to all federal awards. § 200.322. For affordable housing construction and rehabilitation, this provision raises serious concerns if it results in an expansion of existing requirements. Many of the materials, products, and components used in affordable housing development are not consistently available from domestic sources at competitive prices, or in some cases at all, and the compliance costs and delays created by these requirements are substantial. Layered into the cost pressures already facing affordable housing development, an unjustified expansion of domestic content requirements could render numerous projects economically infeasible. It would certainly increase per-unit costs and reduce the number of affordable units produced per federal dollar.

Treasury Do Not Pay pre-payment verification by States. The proposed requirement under § 200.303(g) that States run pre-payment verification through the Treasury Do Not Pay system before disbursing pass-through funds raises serious federalism and anti-commandeering concerns. Operationally, it would impose new burdens on State administration of HOME, CDBG, and other pass-through programs and would risk delays in disbursement to local subrecipients and ultimate beneficiaries.

Narrowed nonprofit cost-principles exemption. The proposed narrowing of the existing exemption from for-profit cost principles for certain nonprofits in § 200.401 could impose new compliance burdens on nonprofit affordable housing developers and operators.

Pre-approval for conferences and memberships. Proposed §§ 200.432 and 200.454 would make conference attendance and organizational memberships allowable only where expressly pre-approved by the awarding agency and incorporated into the terms and conditions of the award. These requirements are administratively unworkable and would produce significant unintended consequences for federal housing programs. First, HUD is unlikely to have the staff capacity to review, evaluate, and pre-approve, on an award-by-award basis, the specific conferences and organizational memberships that PHAs and owners rely on to administer their programs effectively. More significantly, the pre-approval regime would deprive housing providers of the routine benefits of trade association membership and conference participation, including technical assistance, exchange of best practices, timely information on new statutes, regulations, and guidance, professional development, and industry-standard certifications. The loss of these resources would undermine the operational effectiveness of federal housing programs. The requirements also risk creating a chilling effect on the valuable feedback that trade associations and industry conferences currently provide to HUD and other federal agencies.

IV. Politicization of Award Selection Will Harm Housing Programs.

The Proposed Rule's pre-issuance political review of every discretionary award under § 200.205 would inject political instability into HUD discretionary grant programs that Congress designed to be administered on objective criteria. HUD's competitive discretionary programs, including Choice Neighborhoods Implementation Grants, Section 202 and Section 811 capital advances, Continuum of Care competitive funding, and others, are time-sensitive and rely on predictable selection criteria, peer and panel review, and statutory program requirements. Requiring pre-issuance review by senior political appointees, conducted under broad and subjective criteria including alignment with "the President's policy priorities" and "the national interest," will delay funding and inject political considerations into decisions Congress directed be based on program merit and need.

The affiliation-based applicant risk assessment provisions in § 200.206 raise serious freedom-of-association concerns and will discourage participation by mission-driven nonprofit housing providers. HUD's own statutory and regulatory framework already incorporates extensive integrity safeguards. The Department of Housing and Urban Development Reform Act of 1989, Pub. L. 101-235, addresses transparency, accountability, and the prevention of corruption and favoritism in HUD's competitive grant programs. See 42 U.S.C. §§ 3537a, 3545; 24 CFR Part 4. These tailored HUD-specific safeguards reflect Congress's considered judgment about how to balance integrity and accessibility in HUD discretionary funding. The Proposed Rule's broad and vague political review mechanisms are incompatible with these long-standing statutory safeguards.

V. Legal Concerns Warranting Withdrawal.

Though we do not in this letter undertake a comprehensive legal analysis of the Proposed Rule, we note several concerns raised by other commenters that warrant withdrawal:

OMB statutory authority. OMB's authority to convert long-standing "guidance" governing federal financial assistance into binding government-wide regulation, without express statutory delegation from Congress, is at best unclear. The proposed reclassification raises fundamental questions about the scope of OMB's authority to bind individual federal agencies, including HUD, on matters within their respective statutory mandates.

Separation of powers. The rule's expanded discretionary termination authority, condition-modification authority, and political review provisions assert executive control over federal financial assistance in tension with congressional authority over appropriations and program design. For statutorily structured HUD programs, that tension is particularly acute.

Administrative Procedure Act. The Proposed Rule represents a sharp reversal of the 2024 revision of 2 CFR Part 200, finalized only two years ago following extensive notice and comment. The proposal does not adequately address the reliance interests of housing program participants, including PHAs, owners, lenders, investors, and developers, who have made substantial commitments under the existing framework. The cursory treatment of these reliance interests, combined with the short comment period and the absence of program-specific impact analysis, raises serious arbitrary-and-capricious concerns.

HUD Reform Act. As discussed in Section VI below, the Proposed Rule's process does not satisfy the public participation requirements established for HUD rulemakings under the Department of Housing and Urban Development Reform Act of 1989 and HUD's implementing regulations. See Pub. L. 101-235; 42 U.S.C. § 3535(o); 24 CFR Parts 4 and 10.

VI. Process Concerns.

The 45-day comment period provided for a 412-page rule affecting more than $1 trillion in annual federal awards across more than 40 federal agencies is plainly inadequate. The deficiency is particularly acute for HUD-related provisions.

HUD's own regulations provide that "[i]t is the policy of the Department that its notices of proposed rulemaking are to afford the public not less than sixty days for submission of comments." 24 CFR § 10.1. The Department of Housing and Urban Development Reform Act of 1989 and its implementing regulations at 24 CFR Parts 4 and 10 reflect Congress's considered judgment about how HUD rulemakings affecting program participants and beneficiaries should be conducted. *See also* 42 U.S.C. § 3535(o). Because HUD is a co-proposer of this rule, and because the rule directly governs significant HUD programs and indirectly affects the entire affordable housing sector, the 60-day comment period reflected in HUD's policy should have applied to the HUD-related portions of this rulemaking.

The absence of a HUD-specific regulatory impact analysis compounds the procedural deficiency. The Proposed Rule's potential impacts on housing program participants, on layered affordable housing financing structures, on landlord participation in the HCV program, on housing operators' administrative costs, and on the cost of affordable housing production have not been quantitatively analyzed, even in summary form. Stakeholders cannot meaningfully comment on impacts that the proposing agencies themselves have not assessed.

Given the substantial scope of these changes, OMB and HUD should provide clear public information on the applicability of each significant provision to specific HUD programs and instruments, so that stakeholders can review and comment with the specificity that the proposal demands. The rushed October 1, 2026 effective date does not allow adequate time for HUD, recipients, and partners to assess applicability, address program-specific implementation questions, or build the systems and procedures the rule would require.

VII. Conclusion.

The National Leased Housing Association and the undersigned organizations strongly urge withdrawal of the Proposed Rule. In its current form, the rule would create instability, increase compliance burdens, inject political risk into federal commitments that the affordable housing sector depends upon, and impair the layered financing structures that produce and preserve affordable housing, ultimately harming the low-income residents that are served by these programs.

We urge OMB to (1) withdraw the Proposed Rule in its entirety; (2) if reissued, extend the comment period, provide clarity on the applicability of its provisions by program, and conduct a HUD-specific regulatory impact analysis; and (3) in any final rule, expressly preserve the existing treatment of Annual Contributions Contracts and HUD rental assistance contracts, and direct HUD to issue clear public guidance confirming that these instruments are not impacted.

The undersigned organizations stand ready to engage constructively with OMB, HUD, and other federal agencies on any future rulemaking that addresses legitimate federal financial assistance stewardship concerns without disrupting the statutory framework of federal affordable housing programs or the layered private-public financing structures on which they depend.
Thank you for the opportunity to provide these comments.

Respectfully submitted,

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Executive Director
National Leased Housing Association

Co-signing Organizations:
Council for Affordable and Rural Housing
LeadingAge
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Multifamily Housing Council
Stewards of Affordable Housing for the Future