



July 10, 2026

The Honorable Russell T. Vought
Director, Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Re: Comments on Proposed Rule – Regulation for Federal Financial Assistance; 2 CFR Part 200 (Docket OMB-2026-0034)

Dear Director Vought:

On behalf of its member state Housing Finance Agencies (HFAs), the National Council of State Housing Finance Agencies¹ (NCSHA) respectfully submits these comments on the Office of Management and Budget's (OMB) proposed rule rewriting 2 CFR Part 200 – commonly known as the Uniform Guidance – published in the Federal Register on May 29, 2026 (Docket OMB-2026-0034). NCSHA has deep concerns about the proposed rule because it would likely create significant disruption, financial risk, and instability for federal grantees and their partners. We urge OMB to modify its proposed guidance to preserve the current guidance's consistency, reliability, flexibility, and robust management and financial control over federal spending.

HFAs deliver roughly \$50 billion in financing to make affordable homeownership and rental housing opportunities a reality for hundreds of thousands of families and individuals every year. Many HFAs administer the HOME Investment Partnerships program, U.S. Department of Housing and Urban Development (HUD) project-based rental assistance contracts, Housing Choice Vouchers, Housing Counseling funds, homeless assistance, public housing programs, and several other HUD and U.S. Department of Agriculture (USDA) housing programs. Some also administer funds provided through other agencies, including federal Weatherization Assistance Program and Low Income Home Energy Assistance Program (LIHEAP) funds. HFAs administer these funds directly, through local subrecipients and community organizations, and as subrecipients or partners with other federal funding administrators.

¹ NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

The proposed rule would materially affect virtually all of these programs and how HFAs would apply for, administer, and account for those funds.

We appreciate OMB's stated objectives of improving transparency, accountability, and oversight of federal financial assistance – and we share those goals. Our member HFAs maintain strong internal controls, documented policies and procedures, and a strong audit record.

HFAs have long been strong programmatic and financial partners with the federal government. We urge OMB to minimize disruption of these effective partnerships and continue to provide federal grantees the stability, consistency, and predictability that effective working relationships require.

Expanded Federal Termination Authority

The proposed rule would grant federal agencies broad new discretionary authority to terminate and suspend grant awards, including authority subject to senior political appointee approval based on changing policy priorities or determinations regarding the national interest. While we understand the administration's interest in ensuring awards align with current policy priorities, this provision creates severe fiscal uncertainty for federal financial assistance recipients and suggests the possibility of violating congressional direction and intent.

This uncertainty undermines the planning and execution necessary to administer federal programs most effectively and responsibly. Housing providers often enter into multi-year obligations, contractual commitments, and service arrangements that depend on predictable federal funding. Additional safeguards, notice requirements, and opportunities for corrective action should be included before funding is suspended or terminated.

Confidence that federal commitments will be upheld is vital for effective financial management. Frequent changes tied to evolving federal priorities could create operational instability for agencies responsible for maintaining housing assistance for vulnerable households. The agencies must plan budgets, contracts, and staffing years in advance. Clear and consistent standards with minimal changes are essential to effective program administration. There must be clear, published criteria and a notice-and-cure process before any funding termination or suspension.

Current guidance has numerous and effective safeguards and procedures for ensuring grantees use federal funds responsibly. We urge HUD to limit termination and suspension authority to existing law and the current uniform guidance policy.

New Pre-Award Review and Risk Evaluation Requirements

The proposed rule would require pre-award review of grant applications by senior agency officials and expanded risk evaluations of applicants prior to award. While appropriate risk management is an important goal, we are concerned that these requirements will significantly increase administrative burden, extend award timelines, and deter some needy and worthy applicants from seeking funds they and the people they serve need.

We urge OMB to define clear, objective, and publicly available risk criteria so potential grantees counties can anticipate and prepare for pre-award review. We also urge OMB to establish firm timelines for pre-award review to prevent indefinite delays in award execution; provide safe harbors for grantees with established compliance track records and demonstrated management capacity; and ensure pre-award review processes do not duplicate Single Audit findings or other existing accountability mechanisms.

Impact on Formula Grants

We recognize most of the rule's major changes are formally limited to discretionary awards and expressly exclude formula grants, block grants, statutory entitlements, and disaster recovery grants. However, it appears that because the Uniform Guidance would become binding regulation applicable to all federal financial assistance, and because the new requirements attach to all new awards and amendments after the effective date, the rule's cross-cutting terms and conditions, suspension authority, and cash management controls would reach the HOME Investment Partnerships program, Community Development Block Grants, and other formula programs in the future and could be imposed on funds already awarded, and in some cases already spent, through routine amendments and annual grant agreements.

We urge OMB to more explicitly and permanently exempt these formula programs from the rule's changes and provide an explicit safe harbor confirming that formula and block grant annual agreements and routine amendments cannot be used to impose discretionary award terms retroactively on funds already obligated or expended.

Pass-Through Entities

State HFAs and other grantees, as pass-through entities, sometimes rely on subrecipients to administer a portion of their funding and handle some responsibilities it would not be cost-effective to administer themselves. The proposed rule would make pass-through entities responsible for preventing subrecipients from taking any action that "could significantly damage the reputation" of the pass-through entity, the federal government, or the awarding agency.

The termination and suspension provisions would also apply to pass-through entities and could require them to impose some of the same requirements and use some of the same enforcement tools as the federal government receives under the proposed rule. We are concerned that this proposed requirement is so broad that it poses substantial financial and legal risks for all parties involved.

Indeed, as the proposed termination and suspension provisions appear to apply to pass-through entities as well as federal agencies, these new requirements substantially alter the legal relationship between HFAs and other entities administering HOME, the Housing Trust Fund, and Emergency Shelter Grants and their subrecipients and developers. We recommend that OMB clarify these requirements and minimize any directives to pass-through entities to enforce any but the narrowest anti-waste, anti-fraud, and financial management standards on their subrecipients, particularly with regard to contracts that have already been executed and projects that have already been underwritten and closed.

Reclassification from Guidance to Binding Regulation

The proposed rule would reclassify 2 CFR Subtitle A from OMB guidance to binding federal regulation, meaning future amendments would take effect government-wide without separate notice-and-comment rulemaking by individual agencies. This represents a significant structural change to how federal grant management policy is made. It also risks undermining programmatic exclusions, exceptions, and waivers, including those for the HOME Investment Partnerships and other HUD programs, which should be maintained or explicitly allowed. We urge OMB also to preserve notice-and-comment requirements for any future substantive amendments to the Uniform Guidance, consistent with the Administrative Procedure Act.

State HFAs are committed to the responsible stewardship of federal funds and to the inter-governmental partnership that makes federal programs effective at the state and local levels. In that light, we urge OMB to amend the proposed guidance to: minimize additional administrative burden on recipients; maintain clear, objective, and consistent compliance standards; provide due process protections before suspension or termination of awards; and ensure that regulatory changes promote accountability without compromising continuity of services for eligible households.

Thank you for the opportunity to submit these comments. We would be happy to discuss them with you at any time.

Sincerely,

A handwritten signature in black ink, appearing to read "Garth Rieman", with a long horizontal flourish extending to the right.

Garth Rieman
Director of Housing Advocacy and Strategic Initiatives