

# Now & Next

## Affordable Housing Alert

January 30, 2026

### **HUD faces potentially short federal government shutdown starting January 31, 2026**

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Disputes over funding for the Department of Homeland Security are likely to result in the shutdown of five other federal agencies, including HUD, beginning on Saturday, January 31. The shutdown is expected to be short, with hopes for a House vote on Monday.



#### **What's the impact?**

- While this shutdown is expected to be very short, most HUD operations will likely be paused as of January 31 with staff only focusing on essential actions until Congress reconvenes to pass a budget and the president signs it into law.
- HUD partners should expect delays in processing times as HUD staff time is diverted to plan for and recover from this temporary shutdown.
- If the shutdown continues, HUD will function under a contingency plan that allows for certain, very limited operations to continue.

At midnight on January 30, 2026, six (6) federal agencies will likely shut down, at least temporarily. Although Senate Democrats and the White House report reaching an agreement,

both the Senate and the House need to vote on the agreement, and the president must sign the bill into law, before it takes effect. With the House currently in recess, it is not certain when House members will be able to reconvene to pass the spending bill. Significant progress had recently been made by both houses of Congress to pass funding bills for every federal agency, but disputes over funding for one of the agencies, the Department of Homeland Security (DHS), has delayed resolution for those federal agencies still without full-year spending appropriations bills, including Department of Housing and Urban Development (HUD), and will likely result in a lapse in funding.

During the partial government shutdown, HUD will operate under a contingency plan. HUD has not issued a new contingency plan, but will likely either operate under the contingency plan issued on September 30, 2025, just before the last government shutdown, or HUD will issue an updated contingency plan in the coming days.

The existing contingency plan from last September instructs most HUD functions to stop work immediately upon a lapse in funding. Most HUD contracts will remain funded for at least the month of February as those funds have already been allocated.

## **Why is there a shutdown?**

Following the last shutdown, Congress passed a continuing resolution that funded most federal government agencies through January 30, 2026. Since the end of that shutdown in November, Congress has been working to pass full year spending bills for each federal agency that will provide funding for the remainder of the federal fiscal year through September 30, 2026. Congress has passed appropriations bills for all but six (6) federal agencies, including HUD.

Last week, on January 22, the House passed a spending bill for the final six (6) federal agencies. The Senate was expected to approve that bill and the administration indicated that President Trump would sign it into law.

However, one of the final federal agencies included in the bill is DHS, which includes the funding for Immigration and Customs Enforcement (ICE). Numerous lawmakers have expressed concern about the actions of DHS and are unwilling to pass a full-year appropriations bill for that agency without agreement over constraints on their tactics in American cities.

Since then, members of Congress and the Trump Administration negotiated a path forward to pass the remaining five (5) spending bills that are not DHS. In order for those bills to pass, the Senate will vote on an updated spending package. After the updated package passes in the Senate, the House must also pass the updated spending package. The House is on recess until Monday, February 2, but it is hoped that the House will take up the funding bills as soon as Monday morning.

Because Congress will not have time to pass the updated spending package by January 30th, HUD and five (5) other federal agencies without appropriations bills will likely shutdown and effectively be closed on Monday and until the Senate and the House pass the updated spending package, and President Trump signs it into law.

## **What to expect from HUD during a shutdown**

HUD has confirmed that a very small number of staff will remain available to keep essential functions online and respond to emergency situations. Most HUD staff will be furloughed, while the remaining staff will be expected to work without pay. A small number of HUD staff are funded through separate budgets and will continue to work with pay.

HUD's contract administrators will generally continue to function during the shutdown, subject to funding availability on their contracts. State and local housing agencies will also remain open throughout the shutdown, including Public Housing Authorities and state Housing Finance Agencies.

Owners and operators should continue to submit vouchers, draws, reports, and other certifications to HUD throughout the shutdown. HUD's online systems are expected to stay operational throughout the shutdown. Previously obligated funds, including Section 8, CDBG, and HOME, will remain funded for at least some time. HUD will also process deals that are very close to closing, including deals with FHA-insured financing that have received a firm commitment and RAD deals that have received a RAD Conversion Commitment (RCC). Given the very small staff allowed to continue work, even those deals will likely face significant delays in getting to closing.

## **Best practices for owners and operators during a shutdown**

As noted above, this shutdown is expected to be short; however, owners should have a plan in place in case the shutdown continues beyond next week. HUD will operate with a limited "skeleton" staff during the shutdown and while some services will be available, owners should reasonably expect and plan for delays. For immediate needs that impact the health or safety of residents or threaten the protection of property, owners should contact the Asset Management Division Director in the applicable regional office for assistance.

In the event of a prolonged shutdown, owners should explore options to utilize project reserves and other resources to cover gaps in subsidy payments. HUD's prior guidance confirmed HUD will process requests for releases of reserves or residual receipts through the Asset Management Division Directors using the form HUD-9250.

Our team at Nixon Peabody will closely monitor the shutdown and provide additional updates if the shutdown continues and as more information becomes available from HUD.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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