Now & Next
Affordable Housing Alert

November 12, 2026

More change at HUD: Department-wide reorganization

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The reorganization may change transaction contacts, reviews, and approvals. Parties should plan for coordination challenges and potential delays in 2027.

What's the impact?

- The shift by the US Department of Housing and Urban Development (HUD) from geographic to program-based oversight may change who reviews and closes transactions, making early engagement and clear explanations of local legal issues more important.
- Transactions involving both public housing and voucher programs may require coordination across separate offices, adding complexity to deal planning.
- Some changes may take effect before February 2027. Parties should confirm HUD contacts, allow extra time for closings, and watch for guidance on implementation.

On November 10, HUD published a *Notice of Intent To Reorganize HUD and Revise Headquarters and Field Operating Model*, which describes a substantial reorganization of a department whose staffing, by HUD's own account, is almost 35 percent below historic levels. HUD had previously posted and withdrawn a similar notice in September.

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The Notice consolidates offices along program and functional lines, rather than geography, and changes the department's chain of command. While many of the changes will not be implemented until 90 days after publication—on or about February 8, 2027—others may take effect sooner.

For developers, owners, and public housing agencies (PHAs), the most significant changes involve HUD's Office of General Counsel (OGC), the Office of Public and Indian Housing (PIH), and the Office of Fair Housing and Equal Opportunity (FHEO). The reorganization does not change program rules, but it does change who reviews, approves, and closes transactions. Parties with HUD-assisted or Federal Housing Administration (FHA)-insured transactions in process may see changes in who they are interacting with in the next few months.

Key Changes

OFFICE OF GENERAL COUNSEL (OGC)

OGC will eliminate the distinction between headquarters and regional/field counsel. All HUD attorneys, wherever located, will report to one of three deputy general counsels who will divide responsibilities loosely within three domains: (1) housing finance; (2) grant and assistance programs; and (3) general, cross-cutting legal services and administrative law. Currently, the same OGC field attorneys work on housing finance, grant, and assistance matters.

The notice says the new structure will increase flexibility and work-sharing. Aligning attorneys with a single practice area may allow OGC to build on its attorneys' existing expertise and apply it more consistently within each area of HUD practice. However, separating these practice areas may at times limit OGC's ability to reassign attorneys to time-sensitive projects, particularly transactions that cross both areas, such as Rental Assistance Demonstration (RAD) conversions with FHA-insured financing.

This change means that the frontline attorneys reviewing a submission may not have any geographic connection to the deals they are assigned, which has already been occurring with OGC work-sharing but will likely become more common. Managers making decisions also may be less familiar with local laws and practices because of the reorganization. For these reasons, the importance of providing clear discussions of local legal issues and engaging early with OGC will likely increase. OGC has already started focusing on role rather than geography, with several recent hires reporting to managers in physically distant offices.

OFFICE OF PUBLIC AND INDIAN HOUSING (PIH)

PIH will place all public housing responsibilities in one office and all voucher programs in another, aligning its offices along program lines.

Many transactions involve both public housing and voucher functions, for example, RAD conversions to project-based vouchers (PBVs), Section 18 dispositions paired with PBVs, and mixed-finance deals. RAD conversions are processed largely through Housing's Office of Recapitalization, but they also rely on PIH for public housing and voucher matters. After the split, these transactions may require additional coordination with two separate PIH offices.

The notice does not describe any change to how RAD conversions are processed. Developers and PHA partners should identify both public housing and voucher contacts early in the deal schedule. Notably, the version of the notice that HUD posted and withdrew in September would also have consolidated most PIH assessment and compliance functions, including troubled-agency and receivership work, into the Real Estate Assessment Center and the Assessment and Recovery Center. That language does not appear in the published notice.

OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY (FHEO)

Under the reorganization, FHEO will consolidate under centralized national management, eliminate management layers, and seek greater consistency in handling complaints and conciliations.

Centralization may produce more uniform outcomes in complaints and conciliations across regions. This centralization, along with FHEO's April 2026 withdrawal of guidance documents, suggests that fair housing positions in specific cases may increasingly be set by national leadership rather than regional offices. The notice does not address whether HUD's front-end civil rights reviews for RAD transactions, such as site and neighborhood standards and accessibility reviews, will change. Owners should continue to budget time for those reviews.

MULTIFAMILY HOUSING'S OFFICE OF RECAPITALIZATION — GREEN AND RESILIENT RETROFIT PROGRAM (GRRP)

The Investments Division in the Office of Recapitalization, formed in 2023 to administer GRRP, is being removed.

No new GRRP grants or loans are being funded, and existing awards have moved to the Transaction Division (transaction activity) and the Closing Division (closings). This change formalizes what HUD has already implemented operationally. Notably, the notice does not otherwise reorganize HUD's Office of Multifamily Housing, which completed a major reorganization, Multifamily for Tomorrow, in 2016.

FHA SINGLE FAMILY HOMEOWNERSHIP CENTERS

FHA's Homeownership Centers will also move from a geographic model to a functional one: Philadelphia for origination, Denver for servicing, and Atlanta for quality assurance. Santa Ana will no longer be a Homeownership Center but will remain open. This change mainly affects

single-family lenders and servicers, which should update their internal routing for origination, servicing, and quality-assurance matters. No direct effect on multifamily transactions is expected.

Next steps and what to watch

- **Map your HUD contacts.** For each active HUD-assisted, FHA-insured, or public housing repositioning transaction, confirm the current HUD program staff and closing counsel and recheck after February 2027.
- **Build in schedule cushion.** For transactions closing in the first half of 2027, allow extra time for reassignments and transition delays.
- **Watch for implementing guidance.** The notice describes reporting structures, not processing procedures. It does not say whether HUD will update the Multifamily Accelerated Processing (MAP) Guide, the RAD Notice, or other processing guidance to reflect the new structure, but we expect updated organizational charts, contact lists, and processing guidance.
- **Note early implementation.** HUD states that not all the changes legally require the 90-day notice period and that those changes may be implemented at HUD's convenience. Some changes may therefore take effect before February 2027.

Nixon Peabody's Affordable Housing Team will continue to monitor implementation. For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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