

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Mandatory Affordable Housing Programs

### BUDGET AUTHORITY/OUTLAY TABLE

(Dollars in Billions)

Affordable Housing Investments (Budget Authority/Outlays)		2025-2034
Supply	<b>Extremely Low-Income Housing Supply Subsidy</b>	<b>\$15</b>
	<i>New Project-Based Rental Assistance</i>	\$7.5
	<i>Preserve Distressed Public Housing</i>	\$7.5
	<b>Innovation Fund for Housing Expansion</b>	<b>\$20</b>
Demand	<b>Housing Vouchers for Vulnerable Low-Income Populations</b>	<b>\$22.3</b>
	<i>Vouchers for All Youth Aging out of Foster Care</i>	\$9.2
	<i>Vouchers for Extremely Low-Income Veterans</i>	\$13.1
	<b>First-Generation Down Payment Assistance</b>	<b>\$10</b>
Eviction and Homelessness Prevention	<b>Sustainable Eviction Prevention Reform Grants</b>	<b>\$3</b>
	<b>Emergency Rental Assistance for Older Adults at Risk of Homelessness</b>	<b>\$3</b>
	<b>Homelessness Grants</b>	<b>\$8</b>

Note: The 2025 Budget also proposes \$37 billion in Low-Income Housing Tax Credits, \$19 billion in Neighborhood Homes Tax Credits, and \$47 billion in Mortgage Relief Credits. The Budget additionally proposes to double the Federal Home Loan Banks' statutory contribution to their Affordable Housing Programs. For more information on the tax credits, please refer to the "General Explanations of the Administration's Revenue Proposals" at:

<https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals>

### PROGRAM PURPOSE

America faces a longstanding and nationwide affordable housing shortfall that has built up for more than a decade. Housing production has lagged compared to population growth in the United States for decades. The estimated shortage of roughly two million homes is driving the skyrocketing rental and homeownership costs and often results in entire communities being unaffordable, and often unattainable, for millions of Americans at the lower end of the housing market.<sup>1</sup> According to HUD's 2023 Worst Case Housing Needs Report, approximately 57 affordable units were available for every 100 very low-income renter households in 2021.<sup>2</sup> In the worst cases, high housing costs force many of the most vulnerable people into homelessness through no fault of their own. At the same time, these factors, combined with recent increases in mortgage rates, have made homeownership out of reach for many first-time and first-generation homebuyers.

To address these challenges, the 2025 Budget builds on previous proposals and complements discretionary funding with a package of mandatory funding and tax expenditures that makes a historic investment to lower housing costs and making the economic security of stable, safe housing a reality for millions of Americans.

### BUDGET OVERVIEW

The 2025 President's Budget requests over \$185 billion in mandatory funding over 10 years for programs at HUD as well as tax credits to provide affordable housing. This builds on the 2024

<sup>1</sup> <https://cre.moodyanalytics.com/insights/cre-news/one-good-year-does-not-solve-americas-housing-shortage/#:~:text=Assuming%20each%20segment%20of%20the.in%20turn%20discouraged%20household%20for%20mation.>

<sup>2</sup> <https://www.huduser.gov/portal/portal/sites/default/files/pdf/Worst-Case-Housing-Needs-2023-Executive-Summary.pdf>

Mandatory Proposals and adds new or modifies existing proposals for 2025, and would have the following HUD components:

- Extremely Low-Income Housing Supply Subsidy: \$15 billion
  - *New Project-Based Rental Assistance: \$7.5 billion*
  - *Preserve Distressed Public Housing: \$7.5 billion*
- Innovation Fund for Housing Expansion: \$20 billion
- Housing Vouchers for Vulnerable Low-Income Populations: \$22 billion
  - *All Youth Aging Out of Foster Care: \$9 billion*
  - *Extremely Low-Income Veterans: \$13 billion*
- First-Generation Homebuyer Down Payment Assistance: \$10 billion
- Sustainable Eviction Prevention Reform: \$3 billion
- Homelessness Grants: \$8 billion
- Emergency Rental Assistance for Older Adults at Risk of Homelessness: \$3 billion

### **Extremely Low-Income Housing Supply Subsidy**

Funding to produce and preserve housing affordable to extremely low income (ELI) households is critical to fostering inclusive communities with opportunities for all. While high housing costs impact millions of families throughout the country, the pressures are most severe for ELI households – 70 percent of whom are moderately or severely cost burdened. Our Nation’s lowest income households are also exposed to deteriorating conditions of affordable housing. This funding would provide critically needed new Project-Based Rental Assistance (PBRA) contracts to encourage housing production that is affordable to the lowest-income households, as well as funding to preserve existing, distressed public housing.

- **\$7.5 billion in New Project-Based Rental Assistance (PBRA) for ELI households:** An injection of \$7.5 billion of new PBRA contracts would allow more housing to serve ELI households. PBRA contracts would combine with capital sources like the Low-Income Housing Tax Credit (LIHTC), the Housing Trust Fund, and FHA-insured mortgages to enable the development of new sustainable affordable housing. Funding for new PBRA contracts would attract development capital and community engagement for the creation of new affordable homes, supplying sorely needed multifamily rental housing for America’s neediest families. HUD would allocate new contracts to encourage mixed income housing in places of greatest need, prioritizing properties in resource-rich urban, suburban, and rural neighborhoods.
- **\$7.5 billion investment in funding to preserve distressed public housing through rehabilitation and redevelopment:** This one-time investment would address the capital needs of the most severely distressed and troubled public housing properties nationwide. Properties would be modernized, substantially rehabilitated, and/or completely rebuilt depending on the varied property needs. A section of funds would be available for predevelopment grants to help Public Housing Agencies (PHAs) that need additional capacity building to complete a physical needs assessment, apply for financing, and complete other development activities required to put together a successful development proposal. Additional funds would be available to proposals that demonstrate that, as a complement to redevelopment plans, there is funding committed to investing in the surrounding neighborhoods and making services available to public housing residents.

### **Innovation Fund for Housing Expansion**

The Fund will issue large, flexible grants to States, communities, Tribes, and other eligible entities to implement locally-driven plans to dramatically expand housing supply, lower rental costs, and promote homeownership. Preference will be given to applications that present comprehensive plans for how funding incentives will catalyze significant housing development at a scale that will stabilize

or reduce rents and housing costs over time, as well as promote investments in community development and economic opportunities for underserved areas; such plans should include policy and process changes that can lead to significantly more development.

Eligible uses of funds include:

- Low-interest loans, grants, and subsidies to support multifamily production, in exchange for long-term affordability in part or all of the units created. Funds would focus on projects that would create rental and ownership units, including via adaptive reuse, commercial-to-residential conversions and mixed-use development, near transit and other community amenities.
- Planning and implementation grants to help jurisdictions identify and remove barriers to affordable housing in their communities, such as restrictive land use and burdensome permitting processes, and to adopt policies that increase supply, like allowing and supporting accessory dwelling units and other middle-density housing types. These funds could also support complementary investments in community infrastructure needed to make those reforms feasible, including investments in energy efficiency and resilience upgrades, street improvements, traffic control measures, and higher capacity water and sewer lines;
- Innovative housing models that increase the stock of permanently affordable rental and for-sale housing, including community land trusts, mixed-income public development, and other partially or fully self-sustaining models that promote housing supply and affordability over the long-term; and
- Construction, conversion and rehabilitation of starter homes, including condominiums, and manufactured, modular, and other industrialized housing, to expand homeownership opportunities for low- and middle-income households, particularly to first-time homebuyers.

### **Rental Assistance for Vulnerable Low-Income Populations**

According to the most recent data from HUD’s report on “worst-case housing needs,” approximately 8.5 million households in the United States with the lowest incomes are severely rent burdened (pay more than half of their income towards rent), live in severely inadequate conditions, or both.<sup>3</sup> On a single night in January 2023, 653,104 people experienced homelessness across the United States.<sup>4</sup> Tenant-based rental assistance, specifically in the form of HUD’s Housing Choice Voucher Program, has been demonstrated to be an effective means of increasing housing stability, preventing or resolving homelessness, and supporting economic success among the lowest income families. Housing vouchers have helped to bring about a 55 percent decrease in homelessness among veterans, have prevented homelessness among youth exiting foster care, help people with disabilities avoid institutional care settings, and have been demonstrated to be the most effective intervention to help families with children exit homelessness. Despite their proven effectiveness, Housing Choice Vouchers have been severely underfunded: in most communities, only one housing voucher is available for every four or five qualifying households.<sup>5</sup> Families remain on waiting lists for housing vouchers for years, and many agencies that administer housing vouchers have had to close their waiting lists to new applicants.

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<sup>3</sup> Alvarez, T., Steffen, B., “Worst Case Housing Needs: 2023 Report to Congress.” (2023). U.S. Department of Housing and Urban Development. <https://www.huduser.gov/portal/portal/sites/default/files/pdf/Worst-Case-Housing-Needs-2023.pdf>

<sup>4</sup> Department of Housing and Urban Development. The 2023 Annual Homelessness Assessment Report to Congress, Part 1. <https://www.huduser.gov/portal/sites/default/files/pdf/2023-AHAR-Part-1.pdf>

<sup>5</sup> Joint Center for Housing Studies at Harvard University tabulations of U.S. Department of Housing and Urban Development Worst Case Housing Needs Report to Congress. “America’s Rental Housing.” (2024). [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_Americas\\_Rental\\_Housing\\_2024.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2024.pdf)

To address this severe shortfall in rental assistance, the Budget provides \$22 billion in mandatory funding to create housing voucher programs for two targeted populations that are particularly vulnerable to homelessness. Within this proposal, HUD will explore adopting program flexibilities and improvements to streamline access to, and use of, these new vouchers, as well as providing funds to increase access to housing through landlord incentives and security deposit assistance. Between discretionary funding, program reserves, and these mandatory proposals, the Budget proposes enough funding to expand voucher access to hundreds of thousands of additional households—a down payment on the President’s long-term goal of providing housing vouchers to all eligible households.

- **\$13 billion to make housing vouchers available to all veterans with extremely low incomes:** An estimated 398,000 veteran renter households with extremely low incomes currently do not receive rental assistance and have what HUD terms “worst-case housing needs.” These veterans: 1) have incomes that do not exceed the higher of the Federal Poverty Line or 30 percent of the Area Median Income; 2) either pay more than half of their income for rental costs or live in housing with severe problems such as faulty heating or plumbing; and 3) receive no housing assistance. Over a 10-year period, HUD would expand rental assistance to extremely low-income (ELI) veteran families, starting with an allocation of 50,000 targeted vouchers in 2026 and paving a path to guaranteed assistance for all veterans in need by 2034.
- **\$9 billion to make housing vouchers available to all youth aging out of foster care:** Approximately 20,000 youth exit foster care annually, typically between the ages of 18 and 21, and these young people face greater obstacles to maintaining housing and experience higher rates of homelessness and housing instability compared to the general population. To ensure these young people are stably housed and better able to focus on their education or building a career during this difficult transition, HUD would provide guaranteed housing voucher assistance for all youth aging out of foster care beginning in 2026.

### **First-Generation Homebuyer Down Payment Assistance**

Homeownership is the primary way that American families build wealth and create economic security. However, it is challenging for many renters to access homeownership because of the difficulty in accumulating sufficient savings to pay for a down payment and closing costs; it takes the median renter 10 years of saving five percent of their income to do so. This challenge is particularly acute for renters whose parents are unable to provide financial support because they too are not homeowners. The lack of opportunities that first-generation homebuyers face exacerbates racial disparities in homeownership rates and family wealth, creating a cycle that makes improvements in both more difficult to accomplish.

To help break this cycle, the Budget includes \$10 billion for a First-Generation Down Payment Assistance (DPA) program to enable approximately 400,000 Americans to purchase new homes, while addressing racial and ethnic wealth gaps by creating generational wealth through homeownership.<sup>6</sup>

The program would target down payment assistance to first-time homebuyers whose parents do not own a home and are at or below 120 percent of the area median income or 140 percent of the area median income in high-cost areas. The assistance would be allocated via formula grants to States and eligible CDBG grantees (\$8 billion), and competitive grants to eligible entities that have demonstrated capacity to carry out down payment assistance programs (\$2 billion). Eligible activities would include costs in connection with acquisition such as down payment costs, closing costs, and costs to reduce the rates of interest on eligible mortgage payments. In addition to the

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<sup>6</sup> The Budget also proposes new complementary Mortgage Relief Credits to ease affordability challenges for middle-class first-time homebuyers and unlock starter home inventory.

homebuyers assisted directly by the program, this funding may improve homebuyers' access to other sources of down payment assistance by creating a standardized Federal offering which could serve as a model for other available down payment assistance programs. Such standardization could, in turn, prompt greater participation in down payment programs by mortgage lenders, increasing credit availability and choice for consumers.

### **Sustainable Eviction Prevention Reform, including Diversion, Representation and Relief**

In the nearly two decades before the pandemic, an average of 3.6 million evictions were filed against tenants every year, which led to a broad range of negative consequences for affected households and communities. State and local governments leveraged Federal Emergency Rental Assistance, a key American Rescue Plan program, to encourage lasting reform at all levels of government to reduce eviction filings to far below their historic levels through the COVID-19 pandemic.

The Budget includes \$3 billion to solidify long-term State, local, Tribal, and territorial efforts to reform eviction policies and programs to ensure renters' access to resources that help them avoid eviction, a fair legal process, and supports to prevent future housing instability. Aligned with the principles outlined in the Biden-Harris Administration's Blueprint for a Renter Bill of Rights, this funding can be used to develop or implement policy reforms and program improvements such as, but not limited to, eviction diversion, emergency rental assistance or other forms and new models of rent relief, and expanded access to legal counsel, housing counselors, and court navigators. Funds can be used to launch new programs or strengthen existing efforts.

More specifically, grants would be made directly available to States, metropolitan cities, urban counties, and insular areas eligible for CDBG and Tribes eligible for Indian CDBG. Funds may be further distributed to subrecipients such as units of local government, State and local court systems, and nonprofit organizations that have the capacity to carry out eligible activities. Funds would be offered on a competitive basis and encourage recipients to leverage local resources and coordinate across sectors and institutions (e.g., local courts, community groups, legal services), to advance local policies that sustain ongoing reforms and solutions after Federal funding expires.

### **Homelessness Grants**

To address the recent increase in homelessness, the Budget would propose an \$8 billion initiative to rapidly expand temporary and permanent housing strategies for people experiencing or at risk of homelessness—including competitive grants to States, cities, counties—in collaboration with their local Continuums of Care and housing authorities—as well as territories, Tribes, and other eligible entities. Eligible activities include financing for the acquisition, construction, redevelopment, and long-term subsidy for the operation of temporary and permanent housing. Funds from this proposal would also support non-congregate emergency shelter solutions, interim housing, rapid rehousing, permanent supportive housing, and rental housing for extremely low-income households experiencing housing instability or homelessness. This would include place-based rental subsidies to support the operation of the buildings and the services provided to the residents. This program could also fund innovative project models, including: the conversion of nonresidential structures and commercially zoned structures (such as hotels/motels, offices, or retail spaces) to residential dwelling units; construction of manufactured housing, accessory dwelling units, and co-housing communities; rehabilitation and substantial improvements of existing transient residential structures to create permanent housing units; and construction of multifamily housing on excess publicly-owned properties.

HUD encourages jurisdictions under this program to create local innovative strategies to provide ongoing operating subsidies for permanent supportive housing and other housing for extremely low-income people. HUD also encourages jurisdictions to consider the unique needs of people who may benefit from or require additional resources or supportive services when designing approaches to addressing homelessness—including young adults, families, veterans, domestic violence survivors,

older adults, individuals diagnosed with disabilities, behavioral health disorders, substance abuse disorders, and chronic health conditions. In developing strategies for this funding, jurisdictions should coordinate with their Continuums of Care, public housing authorities, local health care providers, and other community groups.

### **Emergency Rental Assistance for Older Adults at Risk of Homelessness: Homelessness Prevention Program for Older Adults Grant**

In 2021, 2.35 million older adult renters (ages 62 and older) had worst case needs—meaning that they are low-income, do not receive government housing assistance, and are severely cost-burdened or live in severely inadequate conditions, or both. This is an increase of 108,000 since 2019 and the number of older adult households experiencing severe housing problems has steadily climbed over the past decade.<sup>7</sup> The increase is largely attributable to the aging of older adult renters that are very-low income.

Additionally, HUD’s Annual Homelessness Assessment Report (AHAR) shows a steady rise in the aging adult population relative to the total population of people experiencing homelessness, with a three percent rise between 2019 and 2021. In fact, older adults are now the fastest growing age group of people experiencing homelessness, comprising nearly half of the homeless population, and their numbers are estimated to triple by 2030.<sup>8</sup> In addition to this increase, communities are reporting the need for expanded services for this population. Persons ages 55 and older receiving homeless services increased from 16.3 percent in 2018 to 17.9 percent in 2020, continuing a long-term trend.

To counteract the growing numbers of older adults who are experiencing unstable housing situations, are at risk of homelessness, or are experiencing homelessness, the Budget would include a \$3 billion Homeless Prevention Program for Older Adults Grant program to help communities to provide targeted support for older adults in unstable housing situations and support those currently experiencing homelessness. Eligible recipients would be low-income older adults that are at-risk of losing their housing or are experiencing homelessness, regardless of housing tenure. Eligible uses include short- or longer-term cash assistance to cover rental arrears or other housing costs to prevent eviction, emergency home modification or emergency relocations, provide resources to help cover unexpected financial shocks (e.g., medical/health costs), and other legitimate needs determined by the grantee. If the older adult is currently homeless or is in need of relocation, the assistance would also support housing navigation services, obtaining the necessary supportive services, or other housing-related services determined by the grantee.

Funds would be allocated by formula to States, metropolitan cities, urban and non-urban counties, and Tribes. Eligibility for these funds would require partnerships with the applicable public housing authority, state housing finance agency, and/or Continuum of Care. This funding would prioritize cross-sector collaboration and partnerships with State and local agencies, as well as community-based organizations that provide services to older adults. These partnerships and cross-sector collaboration requirements would be codified at the local level to enhance user experience and remove as many barriers to entry as possible.

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<sup>7</sup> Alvarez, T., Steffen, B., “Worst Case Housing Needs: 2023 Report to Congress.” (2023). U.S. Department of Housing and Urban Development. <https://www.huduser.gov/portal/portal/sites/default/files/pdf/Worst-Case-Housing-Needs-2023.pdf>

<sup>8</sup> Westat. “Addressing Homelessness Among Older Adults: Final Report.” (2023). Prepared for the Office of the Assistant Secretary for Planning and Evaluation (ASPE) at the U.S. Department of Health & Human Services. <https://aspe.hhs.gov/sites/default/files/documents/9ac2d2a7e8c360b4e75932b96f59a20b/addressing-older-adult-homelessness.pdf>